

CONSUMER SEGMENTATION AND PRODUCT DISTRIBUTION CHANNELS

Case: Rehome

Abstract

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Title of publication Consumer Segmentation and Product Distribution Channels Case: Rehome		
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<p>Abstract</p> <p>The thesis is concerned with the Rehome project, a project based on LAB University of Applied Sciences, Finland. The sole purpose of the thesis was to find the segments of potential customers for the furniture products of Rehome. The thesis also helps to find effective distribution channels for reaching the customers. Moreover, the thesis helps Rehome to understand the market and customer groups. Furthermore, it provides an opportunity for the development of marketing and distribution for the future.</p> <p>The thesis analyses both the theoretical and empirical approaches related to the topic. The theoretical part focuses on the concepts and the process of market segmentation and distribution channels. However, the thesis is more focused on market segmentation rather than distribution channels. The segmentation and distribution strategies are done in two stages i.e. data collection and data analysis. The empirical part of the thesis is about the qualitative analysis of the data collected via a survey from various random respondents.</p> <p>A qualitative data analysis method is used to answer the research questions. After the data analysis through the inductive approach, the research shows various potential consumers segments for the Rehome project and suggests them effective channels to reach the customers.</p> <p>The result of the research depicts the major concerns of Rehome regarding B to C marketing like which consumer segment should Rehome target and how should they distribute the products. Furthermore, the results show the characteristics of potential customers like age, location, gender, preferences, family size, etc. For instance, a single male under 20 and 21 to 30 years old living in Asia with no children could be the characteristics of potential customers. Moreover, the results also show that they can be reached through indirect distribution channels via Furniture stores or online shops. In addition, the research also helps in a future study to develop effective marketing strategies for Rehome.</p>		
Keywords Market Segmentation, Consumer Segmentation, Distribution Channel, B-to-C Segmentation		

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1 INTRODUCTION

1.1 Research Background

A company has to consider various factors while deciding on a marketing campaign or any marketing strategies. The main aim of companies is to attract consumers from their competitors by delivering greater value. While designing marketing strategies, the company is focused on two major questions i.e. “What customers will they serve?” and “How can they serve them the best way?”. These questions show the three main concepts in marketing, i.e., market segmentation, market targeting, and value proposition. Market segmentation and market targeting help a company to find a suitable customer segment. However, the value proposition helps to serve the customer and maintain a relationship with them. (Armstrong & Kotler 2013, 37.) Therefore, market segmentation is a core concept in customer-driven marketing strategies.

Nowadays, there are many potential profitable markets due to mass production, mass communication, increasingly advanced technology, and efficient global transportation (Brassington & Pettitt 2013, 132). The markets have numerous buyers with various needs and buying habits. No company in the world can serve and appeal to all potential customers in an equal manner due to limited resources. Even the wealthiest firms are not the exception. (Zimmerman & Blythe 2013, 120.) So, it is a sensible option for the company to focus all its efforts. Although the concept of segmentation is old, it is an important tool for marketers in small companies to find appropriate consumer segments and direct their limited resources i.e. money, human, labor, etc. to satisfy the target customer in the best way. Moreover, it also provides the company with a competitive advantage over other companies by helping them to define their unique value proposition. (Armstrong & Kotler 2013, 192.) Furthermore, segmentation works as a base for implementing marketing strategies and consumer relationship management (Weinstein 2004). Hence, the concept of market segmentation is very important in the present context more than ever, especially to small companies and projects like Rehome.

1.2 Thesis Objective, Research questions, and Limitations

Research implies something that people undertake to find out things in a systematic way which helps to increase their knowledge. In other words, research is not only a collection of information, but it must also have a clear purpose. (Saunders, Lewis & Thornhill 2009, 5.) Therefore, the thesis objective, research questions, and limitations help to clarify the purpose of the research.

The research process is a multi-stage process that must be followed to complete the research process. Generally, the research process starts with formulating and clarifying the topic. (Saunders et al 2009, 5.) After the identification of the topic, the researcher has to narrow down the topic to find the major objective and research questions to get a proper picture of the topic. (Cox 2012, 3.)

The research questions are used as a base to write the research objective as it leads to greater specificity than research questions. (Saunders et al 2009, 34.) After the specification of objectives, certain research questions can be defined. The research questions are used to express the main research objectives in an obtainable way. (Hair, Celsi, Money & Samouel 2011, 86.)

The major research questions in the research are “Which consumer segments could interest Rehome?” and “What are the suitable channels to reach the consumer segments?”. The main objective of the thesis is to conduct market research on consumer segmentation and channels to help Rehome to successfully transform to a B-C business model.

The research has some limitations. Firstly, the purpose of the thesis was to meet the need for temporary housing. Moreover, the thesis does not focus on the emergency as a humanitarian crisis. Secondly, the research is not designed to develop as B-B marketing.

1.3 Theoretical Framework

A theoretical framework is the concepts and literature that are relevant to the research questions. These concepts and theories help to answer the research questions. (Vinz 2015.) Generally, it is the literature and theories that help to develop a good understanding of research. There are various sources to extract literature for the theoretical framework in research i.e. primary sources and secondary sources. (Saunders et al 2009, 68.) For the research, secondary sources of literature like journals, books, government publications, dictionaries, etc. are used.

In the thesis, the theories and literature of consumer segmentation and distribution channels are used. However, the literature related to consumer segmentation is used more than a distribution channel as the research is more focused on finding appropriate consumers for the Rehome project. Furthermore, the theories are firstly used to understand the concept in the initial stage of research. Likewise, questions in the survey are also created using the concepts and literature like major variables for market segmentation process and distribution channels. Finally, the theories are used to make appropriate decisions regarding consumer segments and channels for Rehome.

1.4 Research Methodology and Data Collection

The research must understand various research methods, research approaches, and data sets before starting the research. Firstly, the researcher must understand the nature of the research. The research might be inductive and deductive. The deductive approach of research is based on logical reasoning whereas the inductive method is based on empirical shreds of evidence. (Ghauri & Gronhaug 2010, 120.) A theoretical proposition is made before data collection whereas in the inductive approach the data are analyzed to commence an exploratory project seeking to generate direction for further work. (Saunders et al 2009, 68.) In the research, the inductive approach is used to find the consumer segments and channels after the data analysis.

Secondly, the researcher has to decide on a suitable research method. The two major research methodologies are a qualitative method and a quantitative method. The qualitative method uses non-numeric data that have not to be quantified to analyze the outcome where a quantitative method uses numeric data to explore, present, and describe the outcome. (Saunders et al 2009, 414-480.) In the research, the qualitative analysis method is used to analyze and establish the relationship between the data and the research question.

Thirdly, the source of data must be considered in the research. The data must be reliable and valid. There are two types of data sources i.e. Primary data and secondary data. Primary data are the information gathered by the researcher for the sole purpose of the research. Secondary data are the information that has already been collected for some other purpose. In the research, the primary data was gathered by sending a questionnaire to a random individual. In the other hand, the secondary data includes the theories from various books, dictionaries, existing researches, etc. (Saunders et al 2009, 256.) Table 1 below summarizes the research methodology and data sources used for the research.

Table 1: Research methodology and Data Collection

Research Approach	
Deductive	Inductive
A theoretical proposition is made before data collection.	Data are analyzed to generate direction for further work.
Research Method	
Quantitative	Qualitative
The quantitative method uses numeric data to analyze the outcome	The qualitative method uses non-numeric data to analyze the outcome.
Data Sources	
Primary	Secondary
Information collected for the research.	Information collected for some other purpose.

1.5 Thesis Structure

The thesis can be divided into seven parts i.e. introduction, theoretical concepts, case introduction, empirical research, discussion, conclusion, and summary.

The first chapter of the thesis is the introduction part. It includes the thesis background, commissioner, theoretical framework, and research structure. The second chapter is the theoretical part of the thesis. It shows the literature and concepts relating to the research question and objective which supports the research. Moreover, this section contains various concepts relating to market segmentation, market segmentation process, and distribution channels. The third part is the case introduction. It includes the information about the case project i.e. Rehome. The fourth chapter is the empirical research part. It includes data collection methods and data analysis for finding various consumer segments and distribution channels through categorization and assessment of the raw data. Furthermore, the discussion part includes the assessment of the consumer segments and distribution channels. Moreover, the conclusion part includes answers to the research question, reliability, and validity of the thesis and suggestion for further research. Lastly, the thesis ends with a summary.

Figure 1 summarizes the thesis structure.

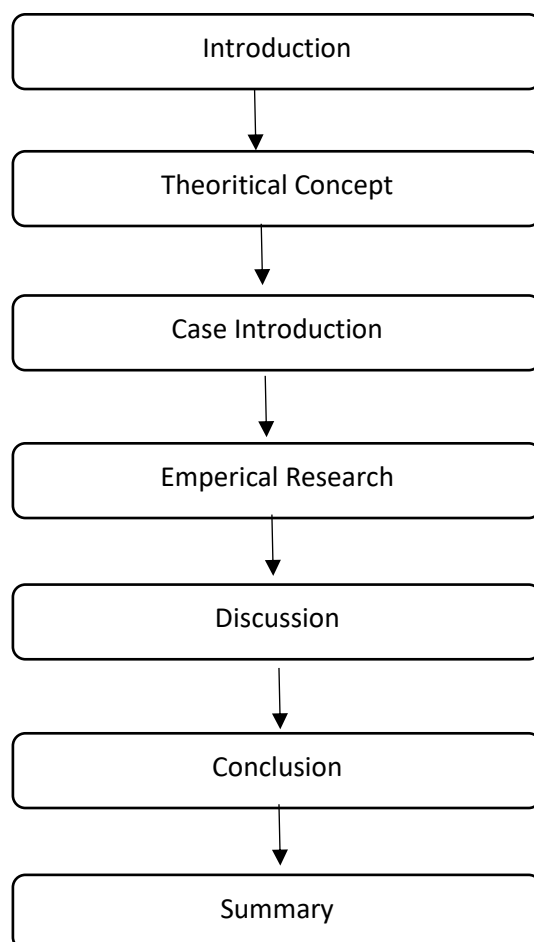


Figure 1 Thesis Structure

2 SEGMENTATION

2.1 What is Market Segmentation?

Market segmentation is a simple concept, but many authors have defined it in their ways. Market segmentation refers to dividing the market into a smaller group of consumers with similar needs, characteristics, or behaviors that might require separate marketing mix and marketing strategies (Armstrong & Kotler 2013, 192). Simply market segmentation is the process of splitting customers or potential customers into different groups with similar needs (McDonald & Dunbar 2012, 9).

The process of market segmentation can be compared with eating an orange. It is easier to eat an orange systematically by dividing it into segments. Similarly, it is easy and more profitable for a business to focus on market segments rather than the whole market. (Brassington & Pettitt 2013, 132.) Unlike orange, each segment of the consumer in the market is distinct from each other based on the size and characters. The market segments are determined based on various criteria that are known as bases or variables like age, gender, country, location, etc. These variables are set by marketers. The marketer must be very careful while choosing the variables to segment the market. (Brassington & Pettitt 2013, 132.)

Marketing segmentation is all about collecting customers with similar purchasing needs and behavior. Marketing segmentation revolves around the difference in need and behavior of the customer. Different customers have different needs and buying behavior. It is the customer who makes the purchasing decision. They choose when and where and what to buy. (Dibb & Simkin 2008, 4-5.) Due to the diverse need and preferences of the customer, the company cannot appeal to all the customers. The sales team in the company can only work efficiently if they know the preference of each consumer. The sales resources in the company must not be used on a "trial and error method". (Dannenberg & Zupancic 2009.) The segmentation of the consumer market into defined segments helps to better understand customer need and preferences through better communication. This will lead to the creation of better marketing strategies. So, companies must understand their strengths and identify the most profitable market rather than compete with the entire market. A good market segmentation focuses on both the customer's need and their way of acquiring the product. (Dibb & Simkin 2008, 4-5.)

2.2 B-to-C Segmentation vs B-to-B Segmentation

Business to consumer (B-to-C) segmentation is the practice of dividing a large heterogeneous consumer base into smaller consumer groups such as age, gender, interests, spending habits, etc. that can be reached more effectively and efficiently with the product and services that match their unique needs (Armstrong 2013 & Kotler, 193). On the other hand, B-to-B segmentation focuses on both organizations and individual buyers within it for the market segmentation process (Brassington & Pettitt 2013, 132).

Although the segmentation of the consumer market has some similarities with Business to Business (B-to-B) segmentation. For instance, consumer and business marketers use many similar variables while segmenting the market. They are completely different from each other as business marketers use some additional variables like size organizational characteristics, user status, usage rate, and loyalty status. (Armstrong & Kotler 2013, 200). Furthermore, business marketers must be very careful while applying the variables used in the segmentation of the consumer market. There are more potential buyers in the consumer market than the B2B market. This huge number of buyers in the consumer market makes it hard for the segmentation process and getting close to individual buyers. Also, the consumer segmentation variables put more emphasis on the buyer's lifestyle and context. (Brassington & Pettitt 2013, 132.) The thesis is focused on the consumer market segmentation.

2.3 Benefits of Segmentations

Market segmentation can be a complex process that may result in poor management if the segmentation is not effective. There are various benefits and the importance of effective market segmentation. (Brassington & Pettitt 2013, 152.) The benefits of segmentation are described below.

2.3.1 The Customer

Customers have diverse needs that the companies are trying to act upon by offering consumers what they need. Dividing the market into segments of the customer with similar needs works as the basis for understanding the market and create a profitable business. (Dibb & Simkin 2008, 2.) Segmenting the market into various groups helps the marketers to make a detailed picture of the customers and find the product closely related to the segments. This helps the customer to get what they need and derive psychological fulfillment from the product. From the viewpoint of the company, the customers become loyal to the

company as the customer has a deeper emotional relationship with the company. (Brassington & Pettitt 2013, 152-153.)

Therefore, market segmentation helps to understand the need and preference of the consumer segment and help the company to build the strategies to meet those needs.

2.3.2 The Competition

Globalization has created a competitive market for companies. Market segmentation has been more important in present due to globalization, managerial complexity, and increasing demand for the budget. Superior quality products and services are not enough for a profitable business anymore. Companies must know the target market and aggressively attack them for a profit before the competitors. (McDonald & Dunbar 2012, 3.)

The main objective of market segmentation is to improve the company's competitive position and better serve the need of the customer (Weinstein, 2004). Segmentation of the market not only helps to understand the company itself but also helps to identify the competition in the market. By analyzing the degree loyalty of the customer, the company can find out its strengths and weakness against the competitors. Moreover, the company can focus to eliminate the weakness and focus on their strengths to outcome the competitors. Furthermore, the company can also identify and take opportunities for the market segment that has not been touched by the competitors. (Brassington & Pettitt 2013, 153.) Therefore, market segmentation helps to understand various consumer segment and focus on the consumer segment that has not been explored by the competitors or create better products and services that meet the need of customer segment better than competitors.

2.3.3 The Marketing Mix

As we know segmentation helps to create a detailed picture of the customers. The customers are at the core of all decisions relating to 4P i.e. Product, Price, Place, and Promotion. Therefore, market segmentation helps to make marketing mix decisions closely on the potential customer which helps to meet the consumer's needs and demand more exact. This also allows the company to prioritize segments concerning the resources and objectives of the company. (Brassington & Pettitt 2013, 153.)

On the other hand, segmentation also helps to allocate resources more efficiently. The company can satisfy the customer's need and want with minimum efforts if the segments are well defined. Moreover, the company can make well-tailored marketing strategies that can satisfy the customer's needs with a minimum of wastage. (Brassington & Pettitt 2013, 153.)

3 MARKET SEGMENTATION PROCESS

The market segmentation process begins with the identification of various segments in the market. The segmentation is made centered on base variables. Generally, segmentation is created among consumers with similar needs and buying behavior. While choosing the base variables, the market must be taken into consideration. For instance, the base variables used for the B-to-B market is different than the variables used in the B-to-C market. (Dibb & Simkin 2008, 8.)

There are many ways to segment the market and there is not only one correct way to segment a market. The marketers must always look for distinctive things about the customer that influence the needs and buying patterns through research. This also helps with profiling the segment. The marketers must consider various criteria for developing effective segments i.e. actionable, measurability, accessibility, substantiality, dependability, and stability. (Armstrong & Kotler 2013, 202.)

3.1 Major Segmentation Variables for B-to-C Markets

Finding the best way to segment the B-to-C market is very difficult due to a large number of potential consumers. So, the marketers must try different variables alone and in combination to find the suitable according to the situation of the market. (Armstrong & Kotler 2013, 193.) Table 2 can help to show the major segmenting variable used by the marketer in the consumer market.

Table 2 Major Variables for Consumer Markets (Armstrong & Kotler 2013, 193)

Segmentation Variables	Examples
Geographic	Nations, religions, states, countries, cities, neighborhoods, population density, climate, etc.
Demographic	Age, lifestyle, gender, income, occupation, education, religion, ethnicity, generation, etc.
Psychographic	Social class, lifestyle, personality, etc.
Behavioral	Occasions, benefits, user status, usage rate, loyalty status, etc.

The segmentation variable listed in Table 2 is discussed briefly below.

3.1.1 Geographic Segmentation

Geographic segmentation refers to the practice of dividing the market into different geographical units such as nations, regions, states, cities, etc. In the geographical segmentation process, the company firstly finds the differences in the needs and wants according to the geographical regions and then chooses the region which is appropriate for their products and services. (Armstrong 2013 & Kotler, 193.)

Geographic segmentation is appropriate for small businesses relating to the retail and service sectors as they have limited resources and the segments are easy to define and measure. The information which is needed for segmentation is also freely available from various public sectors. Moreover, segmentation also helps to develop an efficient system for distribution and customer contact. However, the companies should not build their segmenting decision based on the geographic variables because there might be a huge variation among the people in the same geographical regions. Also, the company focusing on only geographic variables for the segmentation might lose its customers to its competitors with a customer-based segmentation strategy. (Brassington & Pettitt 2013, 135.)

3.1.2 Demographic Segmentation

Demographic segmentation refers to the practice of dividing the market into various segments based on variables such as lifecycle, age, gender, income, occupation, education religion, etc. The variables used in demographic segmentation are considered as the popular bases for consumer market segmentation because these variables are relatively easier to define and measure than other variables. Moreover, consumer needs and uses are affected by the demographic variables. (Armstrong & Kotler 2013, 194.) Furthermore, the information obtained from the demographics variables helps to make the profile of the customer clearer which can be used in the marketing strategies of the company. Also, demographic segmentation can be used as a base for other customer-focused segmentation methods. It can be used for a product which is already bias towards specific demographic groups. (Brassington & Pettitt 2013, 138.) Business marketers must have a general knowledge of demographic characteristics to measure the size of the target market even if they use other bases like the benefit sought or behavior of the consumer (Armstrong & Kotler 2013, 194).

On the other hand, demographic segmentation also has some downsides. Firstly, the demographics are purely descriptive and might not be true in the big picture. For instance,

the similarity in the age group of the customers does not mean that they are interested in similar products and services. Secondly, if the company base its decision solely on the demographic variables, then it might face a threat from the competitors with a better customer-focused segmentation strategy. (Brassington & Pettitt 2013, 138.)

3.1.3 Psychographic Segmentation

Psychographic segmentation refers to the practice of dividing consumers into various segments based on the social class, lifestyle, personality, beliefs, attitudes, and opinions. (Armstrong & Kotler 2013, 196). It helps to make better segmentation decisions as it helps to eliminate the shortcoming of the demographic and geographic segmentation. For instance, customers may be interested in different hobbies even if they fall under the same age group. So, psychographic segmentation can help marketers to know the consumer better and to make better decisions. Using the psychographic segmentation variables, the marketers can influence the potential customer on a much deeper emotional level. (Brassington & Pettitt 2013, 140.)

The psychographic segmentation can further be classified into four main categories i.e activities, interests, opinions, and demographics. Firstly, activities are simply the things people do in their lives. The information about the activities of people like work, shopping, hobbies, etc. gives the marketer some idea about product and service preference. Secondly, interest refers to the things that consumer value and the things that are important to them. It may include family, work, home, fashion, food, media, and recreation. It helps the marketers to know the priorities of the customers. Thirdly, opinions are the thoughts of the individuals. Moreover, it is the consumer's perspective and feelings towards various issues like education, business, politics, social and cultural issues, etc. It helps the marketers to know about the opinion of the product and the change of their future needs and wants. Lastly, demographics in psychographic segmentation include various demographic elements and geographical location of the potential customers. (Brassington & Pettitt 2013, 140.)

The detailed research of these categories helps to build a three-dimensional picture of the potential customer. The company can create such profiles of their potential customers and focus on the similarities for the segmentation. Due to the complexity and numerous variables affecting lifestyle, there is no universally applied category of psychographic segments. In recent years, many new categories have emerged which focus on different aspects of lifestyle. (Brassington & Pettitt 2013, 141.)

Psychographic segmentation is a great tool for market segmentation, despite their difficulties. On the one hand, it is very useful for identifying broad trends and creating an emotional bond between customers and products. It also helps to strengthen the company to protect its customers against competitors. On the other hand, the psychographic segments are very difficult to define and measure. Moreover, the segmentation based on the psychographic variables might affect the relationship between the characteristics of the segments and brand performance. Furthermore, the information regarding the variables is very difficult to acquire through the public domains. (Brassington & Pettitt 2013, 142.) Therefore, the company must face various difficulties to take advantage of psychographic segmentation.

3.1.4 Behavioral Segmentation

Behavioral Segmentation refers to the practice of dividing the buyers into based on the knowledge, attitude, uses, or responses to the products (Armstrong & Kotler 2013, 198). The previous segmentation bases revolve around creating a detailed profile of the customers. However, behavior segmentation is concerned with a customer relationship with the products. (Brassington & Pettitt 2013, 142.)

Behavioral segmentation can be categorized in various ways. Customers can be segmented based on the occasion of purchase. Occasion segmentation refers to the practice of dividing the consumers into segments according to the occasions when buyers get the idea to make their purchase. It helps to increase product usage. (Armstrong & Kotler 2013, 198.) For instance, the chocolate and flower companies run special advertisements at the time of valentine to increase the sale of chocolate and flowers.

Customers can also be segmented based on the benefit derived by the customer from the product. Benefit segmentation refers to the practice of dividing the consumers into segments based on the benefit that the consumer seeks from the product. Generally, this type of segmentation requires finding major benefits customers seek in products, the segment of customers who search for each benefit, and the major brand which provides such benefits. (Armstrong & Kotler 2013, 198.) Furthermore, it is closely related to demographic and psychographic segments (Brassington 2013, 143).

Marketers can also use the user status of the customer to make segmentation. Marketers can segment the consumers into non-users, ex-users, potential users, first-time users, and regular users of the product. The marketers want to retain regular users, attract the non-users, and reestablish the relation with the ex-user. Moreover, potential users are the consumer who is going through lifestyle changes. (Armstrong & Kotler 2013, 199.)

Customers can also be segmented based on the usage rate. The customers in the market can be classified into light, medium and heavy users. Generally, the heavy users are the small percentage of the total consumers with a high percentage of consumption. (Armstrong & Kotler 2013, 199.)

Loyalty status is also a criterion used by the marketer to segment the market. The customers of the company can be segmented based on the degree of loyalty of the consumers. By studying the loyalty pattern in the market, companies can find the competition in the market and improve their marketing strategies. Moreover, they can use the loyal customer to increase their consumers. (Armstrong & Kotler 2013, 199.)

There are mainly six loyalty segments. They are listed below.

- Current loyal users.
- Current Consumers who might switch.
- Occasional users who might increase Consumption.
- Occasional users who might decrease Consumption.
- Non-users who might buy the products.
- Non-users who are unlikely to buy.

So, these are the six loyalty segments based on the degree of loyalty.

3.1.5 Multivariable Segmentation

Using only one segmentation base is not a good idea for a marketer. Generally, the marketers use various segmentation variables like geographic, demographics, lifestyle, and behavioral bases to find out a specific consumer group. Multivariable Segmentation refers to the use of multiple segmentation bases to identify the smaller groups. (Armstrong & Kotler 2013, 200.)

Multivariable segmentation is a very powerful tool used by marketers. It helps to identify and understand key consumer segments. Moreover, it also helps marketers to reach them efficiently and tailor marketing strategies to connect with them. (Armstrong & Kotler 2013, 200).

3.2 Criteria for Effective Segmentation

The market can be segmented in various ways. However, all the segmentation is not effective. (Armstrong & Kotler 2013, 202.) The different markets might have different needs

of variables for the segmentation. A marketer might face various complications while choosing the variables for effective segmentation. (Brassington & Pettitt 2013, 154.) For an effective segmentation following criteria must be fulfilled.

Firstly, the market segment must be measurable. A market segment is said to be effective if the size, purchasing power, and profiles of the segments can be measured (Armstrong & Kotler 2013, 202). Moreover, the information about the size, expenditure, and characteristics of any segments can be determined through primary or secondary research (Zimmerman & Blythe 2013, 122).

Secondly, the market segments must be accessible to be effective. The market segments must be effectively reached and served. There are two major aspects of access to i.e. distribution and communication. Accessible market segments simply mean that the company must be able to appeal and deliver value to the segments easily without any complications. (Brassington & Pettitt 2013, 154.)

Thirdly, the market segments must be substantial to be effective. The market segments must be large enough to generate profit for the company. In other words, the segments must be large enough to justify the company's expenditure of manpower and funds. (Zimmerman & Blythe 2013, 123.)

Moreover, the segments defined must be distinctive to one another. The segments must have differentiable characteristics based on the market situation at the time. However, if the marketers fail to differentiate between the two segments then the company cannot appeal and attract the desired customers. (Brassington & Pettitt 2013, 154.)

Furthermore, while trying to make segment distinctive, the marketers might sometime go too far. The segments must be actionable too. The segments must be selected so that an effective marketing strategy can be designed to attract and serve the segments. In other words, the market segments must be selected according to the capabilities of the company's resources. (Armstrong & Kotler 2013, 202.)

Lastly, the effectiveness of the segments is also affected by the dependability. While selecting the market segments the company is also deciding between the competitors they select. While selecting a market segment, the company must create a sufficient differential advantage to defend its presence against the competitor's chosen segments. (Brassington & Pettitt 2013, 155.) To do so, the company can carefully anticipate the competitor's future actions and analyze the competitor's definition of segments to increase the differences (Zimmerman & Blythe 2013, 123).

Therefore, these are the six major criteria that must be followed to create an effective and successful segmentation.

3.3 Evaluating Market Segments

After the segmentation of markets using various bases, the company has to choose the best segments by evaluating the Market segments. The segments are evaluated under three main factors segment size and growth, structural attractiveness, and the company's objectives and resources. The right balance of all three factors gives the company the right market segment in which it can flourish. (Armstrong & Kotler 2013, 202.)

Firstly, the company must decide the right size and growth of a segment for itself. The maximum size with the highest growth rate of the segment is always not a good option. The company must evaluate its resources, objective, and competition in the market segments to be successful. Secondly, the company must select the most attractive market segment available. The attractiveness of the market segments is determined by the level of competition and bargaining power of the customer. The firm must not choose the marketing segments with many strong competitors and powerful suppliers who can control the prices, quality, and quantity of the goods and services as it makes the segment less attractive. (Armstrong & Kotler 2013, 203.)

3.4 Selecting Target Market Segments

After the evaluation of the market segments, the firm has to decide to choose the segments in the market. Different companies have different decisions based on the company's objectives and resources as well as the external environment. The firms can target a wider customer base or implement a narrow approach or can stay in between. The different types of strategies that the firm can implement.

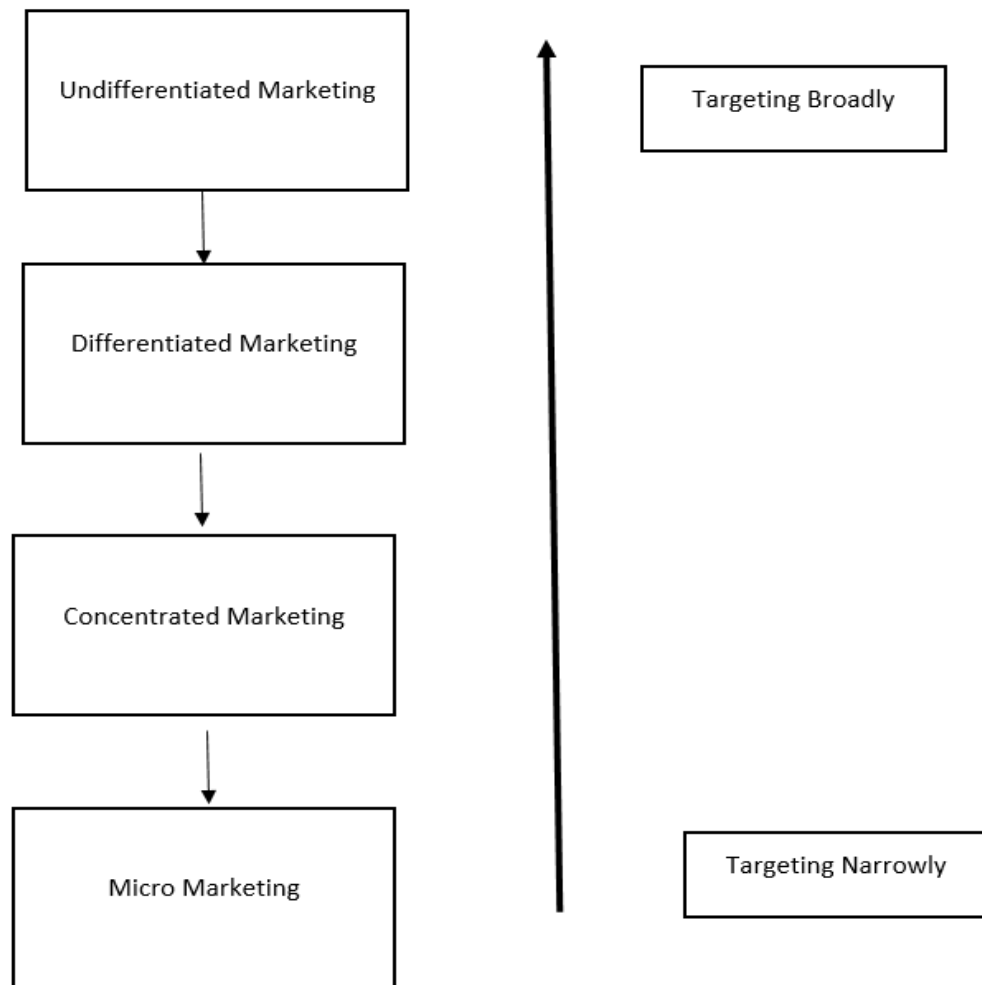


Figure 2 Marketing Strategies (Armstrong & Kotler 2013, 203)

Undifferentiated marketing strategy does not consider any market segments in the market and targets the whole market. So, this strategy is also known as mass marketing. Moreover, this type of strategy is used for the commonly used basic goods which are used by most of the general population. As this strategy consider the whole market as a single homogenous unit, it only uses a single marketing mix for creating a strategy. (Armstrong & Kotler 2013, 203.)

A differentiated marketing strategy considers several market segments by offering separate products and services for each segment. So, it is also called segmented marketing. Although differentiated marketing strategy increases cost and effort for the business, it provides opportunities to increase the sale and develop the position in the market. (Armstrong & Kotler 2013, 203-204.)

Concentrated marketing or niche marketing strategy refers to the selection of a large share of one or a few segments. This strategy helps the firm to gain a strong position in

the market firm. Firstly, the cost of management is relatively lower as it only focuses on one market segment which makes it highly profitable. Moreover, the firm can continuously study their customer easily and make more effective decisions regarding product, price, and promotion. However, the firm has to face risk from the new entry of a firm with large resources. This strategy is suitable for small companies focusing on the segments neglected by the competitors. (Armstrong & Kotler 2013, 204-205.)

Micromarketing is the practice of changing or improving the product and services to meet the need and wants of various segments. The marketers can use a single segment or several segments in a micromarketing. Micromarketing strategy includes local marketing and individual marketing. Local marketing refers to changing the product to meet the need of the local customer groups. On the other hand, individual marketing is the practice of changing the product to meet the need of individual customers. (Armstrong & Kotler 2013, 207-208.)

Therefore, these are various types of strategies the company can use to target the segments.

4 DISTRIBUTION CHANNELS

4.1 What are the Distribution Channels?

Most producers do not sell their goods to the final users. They use various intermediaries performing various functions. Generally, the intermediaries are known as marketing channels, trade channels, or distribution channels. Moreover, marketing channels are the set of interdependent organizations involved in the process of making the product or service available for use of consumption. (Kotler & Keller 2009, 450.) Distribution Channels refers to the structure which links a group of individuals or organization which helps in the flow of product and services to the end-users. In other words, distribution can be defined as the route or path through which products are transferred from the place of production to the final consumer. (Farooq 2016.)

The decision of the distribution channel is one of the crucial decisions made by the management. The chosen marketing channel affects all the marketing decisions in the organization. Moreover, the firm's sales force and advertising decision depend on the training and motivation needed by the dealer and intermediaries. Also, the company's pricing on the use of intermediaries and the choice of distribution channels. (Kotler & Keller 2009, 450.) Therefore, the decision of distribution channels must be made to maximize the value of the company.

4.2 Types of Distribution Channels

There are mainly two types of distribution channels i.e. direct channel and Indirect channel. However, nowadays a hybrid distribution channel is also considered as a type of distribution channel. They are described below.

4.2.1 Direct Distribution channel

A distribution channel is said to be direct if the manufacturer supplies the goods and services directly to the final consumer without using intermediaries. The manufacturer of this distribution channel performs all the marketing functions himself. (Farooq 2016.) The major examples are door-to-door sales, mail order, telemarketing, TV selling, Internet selling, and manufactured-owned stores (Kotler & Keller 2009, 458).

Direct distribution is a quite simple and low-cost method of distribution channels. However, it is not practicable for the marketing of many consumer goods. Moreover, it is extremely hard for producers to sell many consumer products like soap, hairpins, toothpaste, etc. to the consumers. (Farooq 2016.) A direct-distribution channel is most observed in

B2B companies and it is observed lesser in B2C companies. In B2B companies, the volume of sales is lesser though the value of sales and margins is much higher. Direct distribution helps companies to get direct feedback from the end-users to increase customer satisfaction through the innovation of the product. This makes direct distribution channels a suitable option for B2B companies. (Bhasin 2018.) Direct distribution channels are not suitable for small producers since it requires a large investment (Sakshi 2020).

4.2.2 Indirect Distribution Channel

A distribution channel is said to be indirect if the producers use intermediaries, known as wholesalers, retailers, and agents to deliver the product and services to the final consumers. It is a more effective method of product distribution. This method of distribution channel is effectively used for promoting clothes, machines, automobiles, furniture, etc. (Farooq 2016.)

There are various types of indirect distribution network. They are One level channel, Two Level Channel and Three-level Channel. In one level channel, the channel of distribution involves one intermediary to transfer goods from the manufacturer to the end-user. Similarly, the two-level channel uses two intermediaries to transfer goods. On the contrary, a three-level channel uses the service of a broker or agent to connect wholesalers and retailers. (Sakshi 2020.)

An indirect distribution channel helps to control the supply of goods. Moreover, it helps to increase the rate of disposal of the product. (Farooq 2016.) The price of the products tends to be quite high in indirect distribution channels than direct distribution channels. Moreover, it helps the producer to be relieved from the problem of distribution. Furthermore, indirect distribution channels are suitable for the producers having limited finance, narrow product line, and who needed expert services and promotional support from wholesalers. Also, a widely scattered market can be easily covered with the indirect distribution channel. (Sakshi 2020.)

4.2.3 Hybrid Distribution Channel

In recent years, the use of hybrid segments has increased greatly. Many companies have adopted a multi-channel distribution system due to an increase in the consumer segment and channels, it is known as a hybrid distribution channel. A hybrid distribution channel occurs when a company sets up two or more distribution channels to reach one or more consumer segments. The use of hybrid segments has increased greatly in recent years. (Sakshi 2020.)

The hybrid channel helps companies that have to operate in a large and complex market. Moreover, with each new channel, the company expands its sales and market coverage and gains opportunities to tailor its product and services to the specific needs of diverse customer segments. (Sakshi 2020.) On the contrary, a hybrid channel system might result in a conflict which makes it harder to control. The companies must make sure the hybrid channels work well together to avoid the conflict. (Kotler & Keller 2009, 452).

5 CASE INTRODUCTION

5.1 Case Project

The commissioner for the thesis is the Rehome project. The project is based in Lahti, Finland. Rehome is a project at LAB University of Applied Sciences, Institute of Design, Finland. It is an EU funded project to promote commercialization, create new business and employment for the Lahti region export and bio-based industry in particular.

The main goal of the Rehome project is to develop a rapid production of inexpensive furniture in high volume to meet the criteria of the primary need in temporary housing. The vision of the company is to solve the sleeping, storage, and privacy issues via quick, affordable, and sustainable furniture products. (Rehome 2020.)

5.2 Rehome Products

The products have been designed by the furniture designers from the LAB Institute of Design. The production process of the product is fully automated. The products are made from bio-based materials and the production process behind the products is in line with the principles of sustainable development. The recyclable materials like plywood and corrugated cardboard are used for the production of furniture.

The products are inexpensive, and environment friendly. Moreover, the production can be done rapidly. For instance, around 3,500 pieces of cardboard beds can be manufactured automatically in an hour. The products from Rehome are not everlasting however, they can be used as a sensible, cost-effective, and environmental-friendly alternative in a sudden need. The products of Rehome are beds, baby beds, dining sets, space dividers, bunk beds, shelves, and private space. (Rehome 2020.) The following images show the products of Rehome.



Image 1 Bunk bed and shelf (Rehome 2020)



Image 2 Baby cot and Space dividers (Rehome 2020)



Image 3 Dining set and Bunk bed (Rehome 2020)



Image 4 Single bed and Space dividers (Rehome 2020)

6 EMPIRICAL RESEARCH

6.1 Data Collection Method

The survey (see Appendix 1) was conducted as the primary research method for the thesis. The survey was the appropriate option for primary data collection as the thesis required many respondents to examine the possible segments. If the primary data were collected by using the interview, the result would be based on the opinion of the few.

There are altogether 17 questions. There were two open-end questions where the respondents could write their opinions. Moreover, there were 13 multiple choice questions in the survey asking the respondents to choose the best-suited option. Also, there were two linear scale questions where the respondents were asked to grade how important certain issues are in their opinions. The questionnaire was designed to answer the research question i.e. "Which consumer segment could interest Rehome project?" and "Which consumer segments could interest Rehome?". The survey was conducted between 1st April 2020 to 20th April 2020. The survey was distributed through Facebook, Email, Yammer, and LinkedIn. There were 90 respondents from nine different countries.

6.2 Data Analysis

The research was completed via the qualitative method and inductive approach as explained in the introductions. Moreover, the qualitative analysis method was used to analyze and establish the relationship between the data and the research question. Furthermore, the inductive approach was used to find consumer segments and channels. The results are analyzed using the Microsoft Excel program.

6.2.1 Geographical Segmentation Analysis

People in different geographic locations have different needs and react differently to different products. Question four in the questionnaire was "In which country, do you currently reside?". The question helped to specify the location of the respondent. The respondents were first classified based on the countries they currently reside in. Furthermore, they were classified into the region due to insufficient data.

Two major questions i.e. Question 14 and 16 in the questionnaire were asked to know the interest of the respondents towards the product i.e. "If the products were available today, would you buy the products?", "How likely is it that you would recommend this product to a friend or colleague?" respectively. The respondents were asked to rate from Zero to 10 and choose among multiple-choice questions. Moreover, Question 11 in the questionnaire

was designed to finding suitable products for consumer segments i.e. “Which of the following products suit your need?”. The geographical data is analyzed relating to data from these questions to find the consumer segment from the various regions that are interested in the Rehome product. The results were displayed according to the response of the respondents.

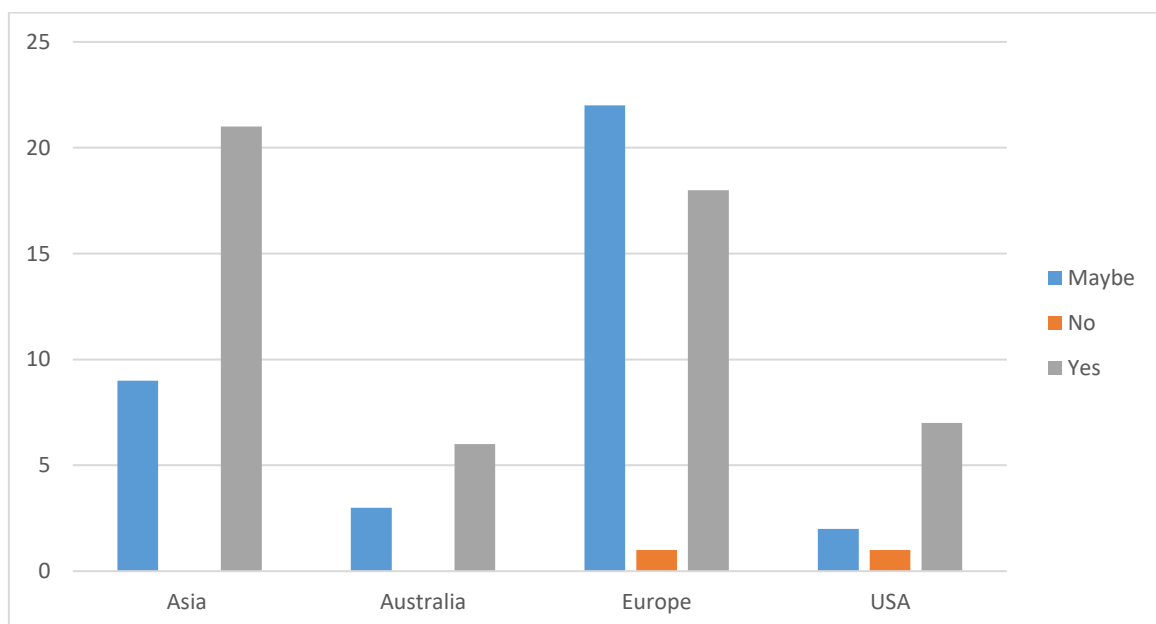


Figure 3 Relation between Region of Respondents and potential customer

The above figure shows the relation of a potential customer and the country they reside in. According to Figure 3, 52 respondents choose to buy the product if it is available in the market. There were only two respondents each from USA and Europe, who choose not to buy the product if it is available in the market. Furthermore, 21 out of 30 respondents living in Asia choose to buy the product if it is available in the market. However, only 18 out of 41 respondents living in Europe were sure to buy the Rehome product. Although the USA also has the same percentage of possible customers as Asia, it has a negative response to buy the product. Moreover, Asia has the highest percentage of respondents choosing to buy the product without a negative response. The number of respondents choosing to buy the product in the USA, and Australia were seven, and six, respectively. Therefore, Asia seems to be a good market for Rehome products.

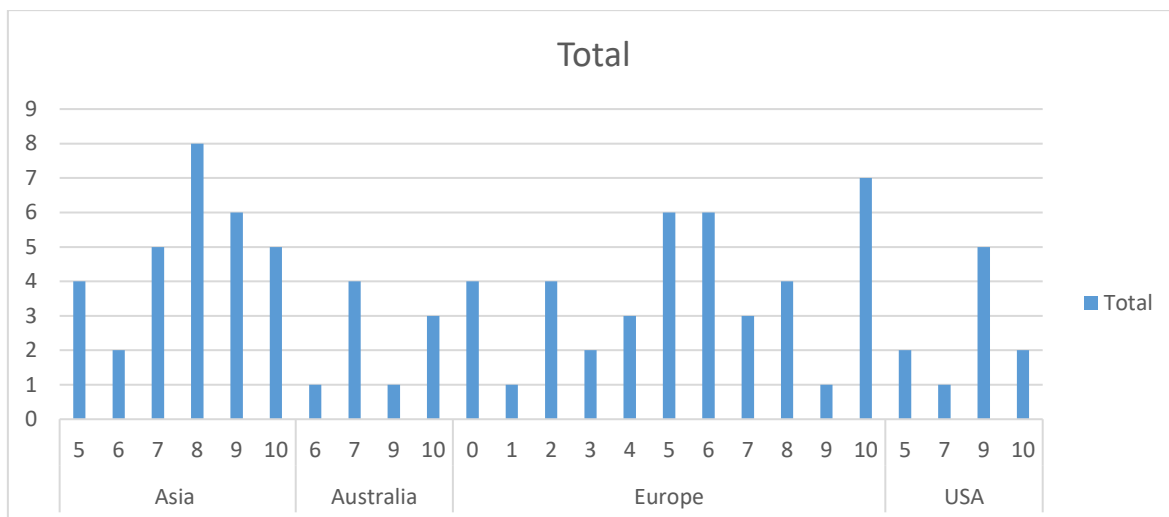


Figure 4 Likeliness of respondents from a different region to share about the product

Figure 4 represents the likeliness of a respondent from a different region. The bar diagram depicts that majority of the respondents who were likely to recommend to their friends were in Asia. Similarly, the respondents from Australia and the USA also choose higher grades i.e. five to 10 on a linear scale. All the lower grades i.e. zero to four in the linear scale were from the respondents living in Europe. This shows the interest of respondents towards the products among Asian respondents than in another region. Therefore, the Asian market can be a sensible option to consider.

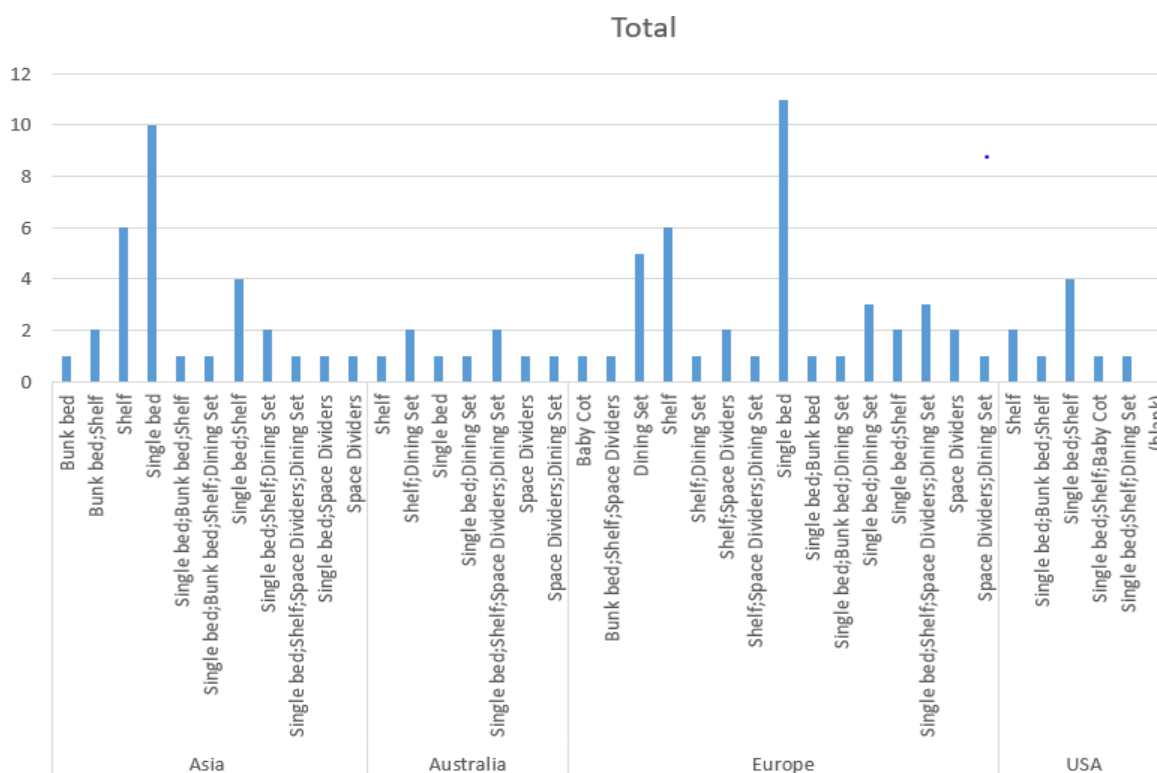


Figure 5 Relation between region and choice of the products

The above figure presents the relation between the choice of product and respondents from different regions. Single bed and shelf were the popular products among respondents in all regions. However, most respondents in Asia were also interested in a bunk bed. The respondents in Australia were interested in the combination of a dining set, space dividers, shelf, and a single bed. In the USA people only chose shelf, bunk bed, dining set, and a single bed. Furthermore, the ratio of respondents choosing space divider is comparatively higher in Europe and Australia. Therefore, a shelf and a single product can be attractive products from Rehome in the market.

6.2.2 Demographic Segmentation Analysis

People with different demographic characteristics have different needs and interests. To find the demographic characteristics of the potential customer for Rehome 6 multiple choice questions were asked. The demographic characteristics of the respondents were analyzed as Gender and age, Income and occupation, relationship status, and no of children. The demographic data are compared with the data collected from questions 14 and 11 i.e. “If the products were available today, would you buy the products?” and “Which of the following products suit your need?” respectively to find the demographic characteristics of the potential customer of Rehome. The results based on the demographic categories are displayed and analyzed according to the response of the respondents.

The first two questions in the survey covered the demographics of the respondents. The first question was “What is your age?”. Moreover, the second question was “What is your gender?”.

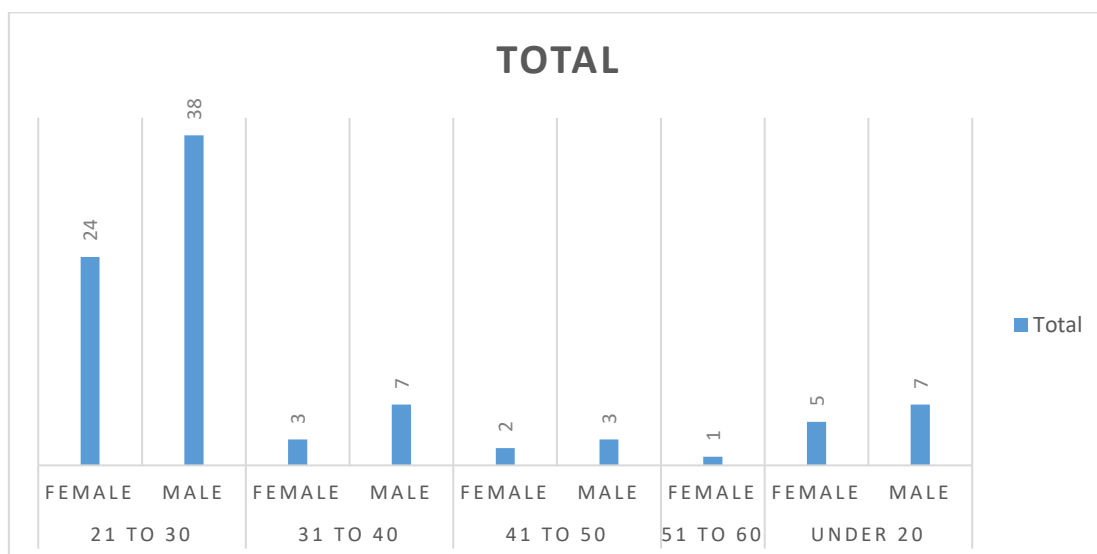


Figure 6 Relation between gender and age of the respondents

Figure 6 shows the relation between the gender and age of the respondents. In total, there were 90 respondents, 35 female respondents, and 55 male respondents. There were 62 respondents age between 21 to 30, 38 male respondents, and 24 female respondents. Among 12 respondents under 20, seven were male respondent and five were female respondents. Moreover, 7 out of 10 respondents between 31 to 40 were male. There were only five respondents between 41 to 50 years old, three male respondents, and two female respondents. However, there was only one female respondent between 50 to 60 years old.

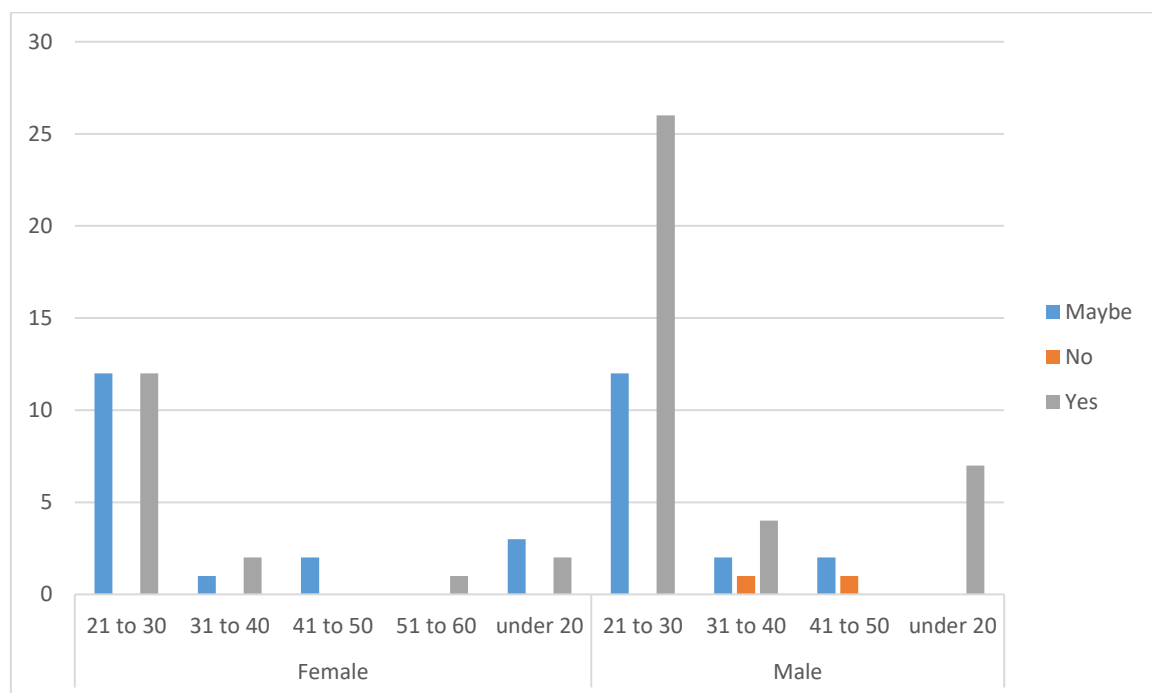


Figure 7 Relation of gender, age, and potential customer

The above figure represents the relation between gender, age, and potential customers. According to Figure 7, 54 of the total respondents responded positively to buy the product if available. The percentage of male respondents choosing the product was 67% which was comparatively higher than the percentage of female respondents i.e. 48%. Most of the positive response to the buying offer was from respondents from the male age group 21 to 30 i.e. 26. Moreover, the bar shows that female respondents at the age group 21 to 30 have a 50% probability of buying the product. Furthermore, the bar also depicts that all the male respondents under 20 choose to buy the product that is available in the market. However, the female respondents under 20 were less likely to buy the Rehome product. The two respondents who decided not to buy the product were the male between 31 to 50 years old. Therefore, male respondents from the age group under 20 and 21 to 30 are the ideal potential customers for Rehome products.

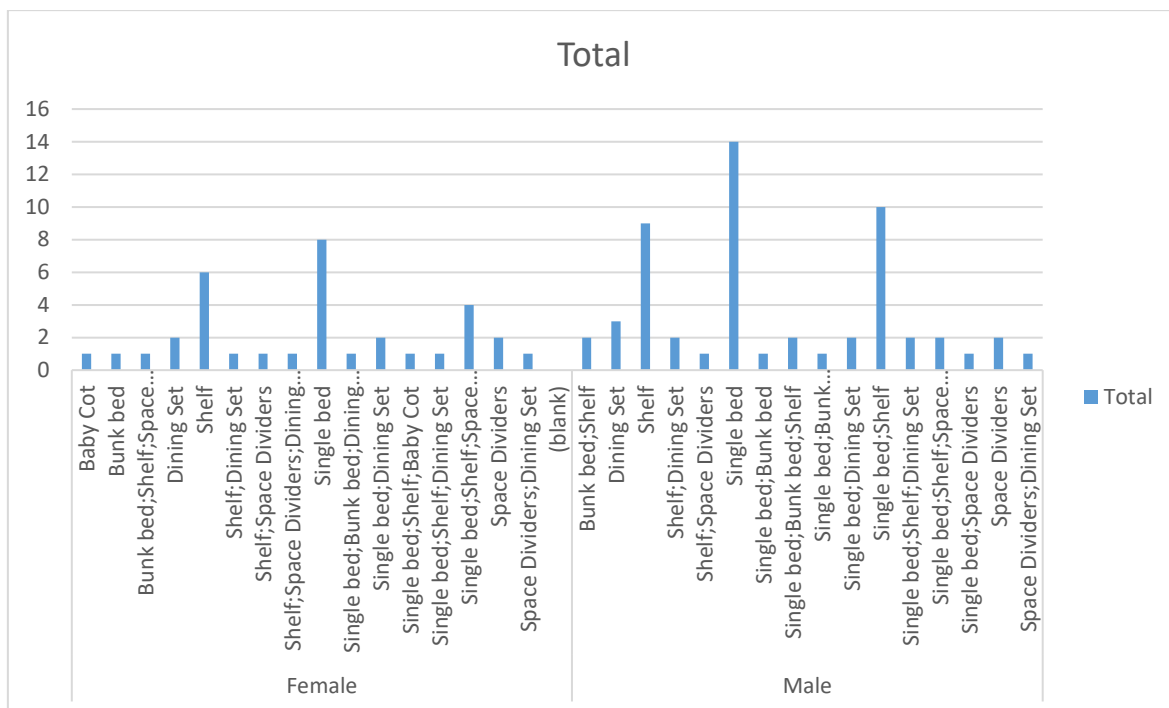


Figure 8 Relation between gender and product choice

The above figure represents the relation between gender and product choice. According to Figure 8, a single bed and shelf are the popular option of choice among both genders i.e. male and female. Females are proportionally more interested in the dining set and baby cot than males. However, male respondents are more interested in the bunk bed than females. Space divider was the option that was chosen the least number of times. However, it was mostly chosen by the female than the male respondent.

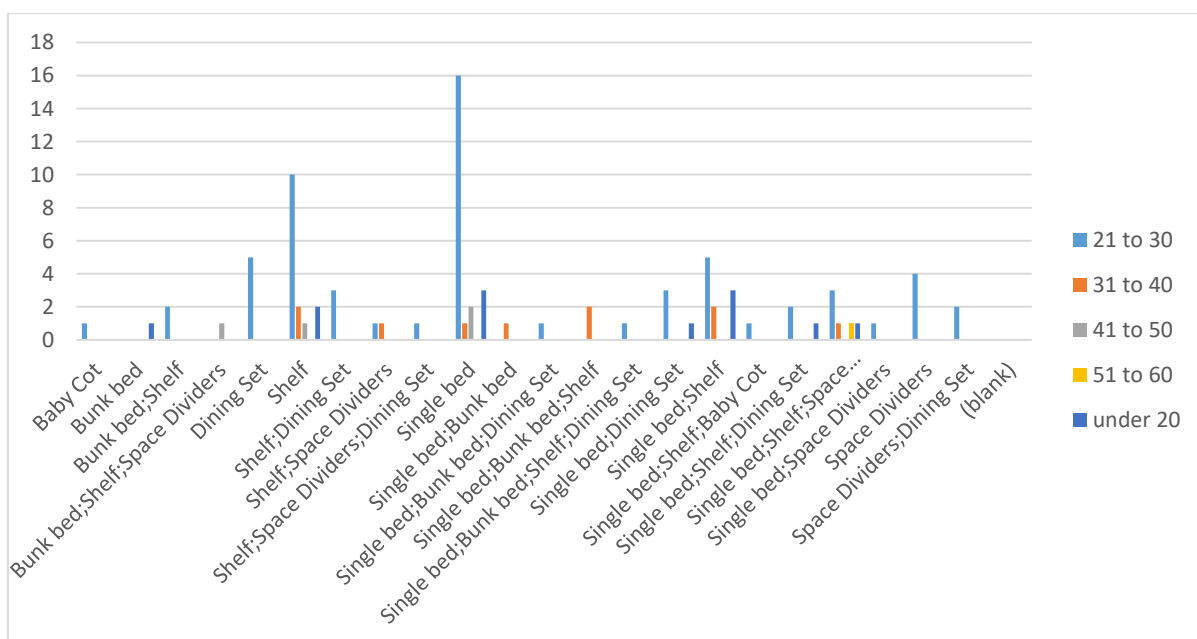


Figure 9 Relation between age and product choice

The above figure depicts the relation between age and product choice. According to Figure 9, shelf and single beds were popular among all the age groups. The bunk bed was proportionally more popular among the age group 31 to 40 than any other age group. On the other hand, the baby cot was only chosen by the age group 21 to 30. Moreover, the dining set was not chosen age group 41 to 50 years old. Furthermore, the choice of a dining set and space divider was comparatively lower among respondents under 20 years. Also, the space divider and dining set were mostly chosen by the age group 21 to 30.

The respondents were also asked to state the relationship status in the survey. Question 3 i.e. “Which of the following best describes your current relationship status?” helped to know if married or single people are interested in the Rehome products. The know the result the data was compared with the likeliness of respondents to buy the product.

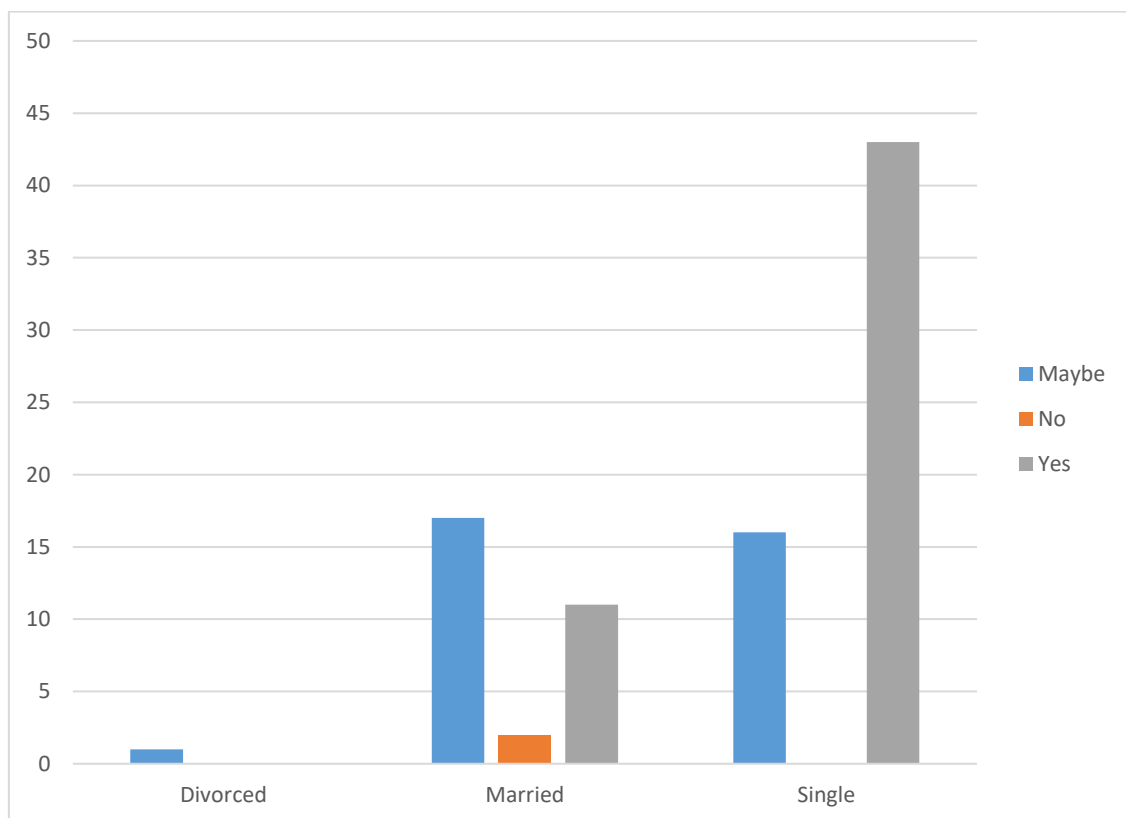


Figure 10 Relation between marital status and potential customer

The above bar diagram represents the relation between the respondent with various relationship status and their likeliness to buy the Rehome product. According to Figure 10, most of the respondents were single i.e. 59. There were 29 married respondents. Moreover, there was only one divorced respondent among 90 respondents. 43 single respondents and 11 married respondents were likely to buy the product. Two married respondents negatively responded to the buying proposal. The percentage of the single respondent is

higher than the percentage of married respondents who choose to buy the product if available. Therefore, single people can be a profitable consumer segment to invest in.

The respondents were asked to choose the number of children in their homes. Question 7 i.e. “How many children or grandchildren do you live with?” helped to find if the potential customer of Rehome is consumers with children or consumers without children. The data from the question was compared with other questions to find the potential customer and their product choice.

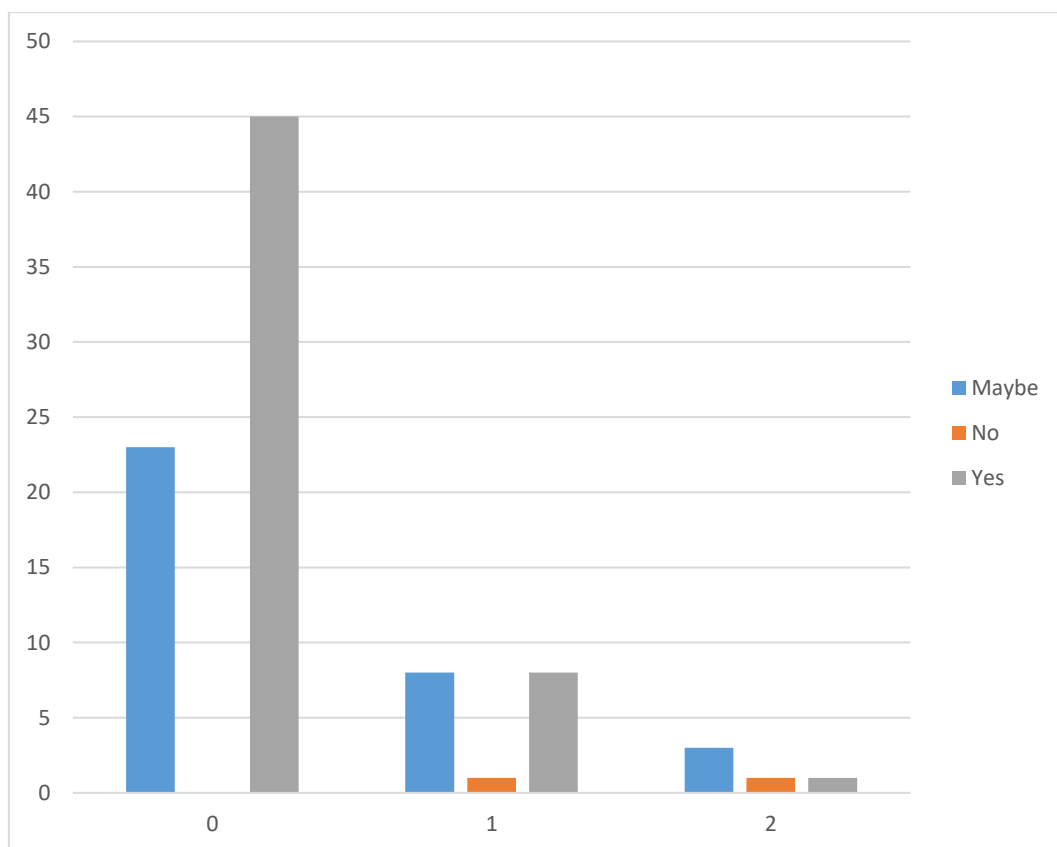


Figure 11 Relation between a potential customer and no of children

Figure 11 depicts the relationship between the number of children and the potential customers. The above bar diagram depicts the change in the degree of likeliness of respondents to purchase the Rehome product. The percentage of response “Yes” is higher than “Maybe” among the respondents without children. The percentage decreases and remains the same as a response “Maybe” among the respondents with a single child. Moreover, the percentage of response “Yes” is lower than “Maybe” among the respondents with two Children. Furthermore, there is no negative response among the respondents with no children. However, there are two respondents with children who responded negatively to the buying proposal. Therefore, products of Rehome are preferred by respondents with no children.

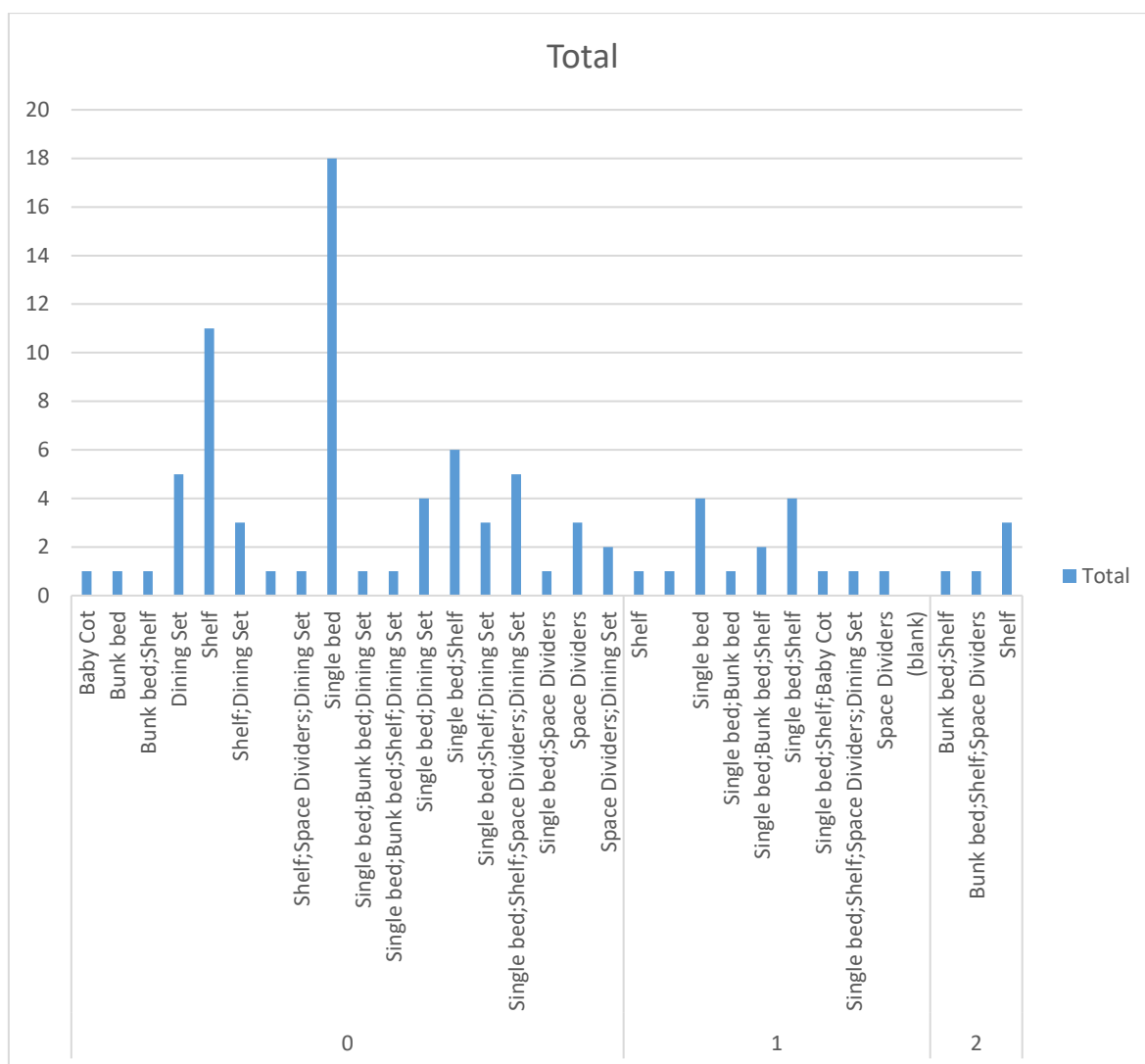


Figure 12 Relation between the product and no of children

The above bar diagram represents the relation between the number of children in the family and the choice of the product made by respondents. The bar diagram depicts that most of the respondents do not have any children in their home i.e. 68. On the other hand, there is a lower number of people with two children i.e. 5. There were 16 respondents with one child at their home. The choice of bunk bed was relatively higher among the respondents with a child and children than respondents with no children. However, the choice of dinner set and space dividers were comparatively low among the respondents with a child and children. Furthermore, the respondents with two children did not choose a single bed.

Questions 8 and 9 in the survey were designed to acquire the information on the occupation and Income of the respondents. Moreover, the questions were “What do you do?” and “What is your Monthly Salary?”. The data from these questions were analyzed with the data of the potential customer and product choice to find the consumer segments with appropriate employment status and income.

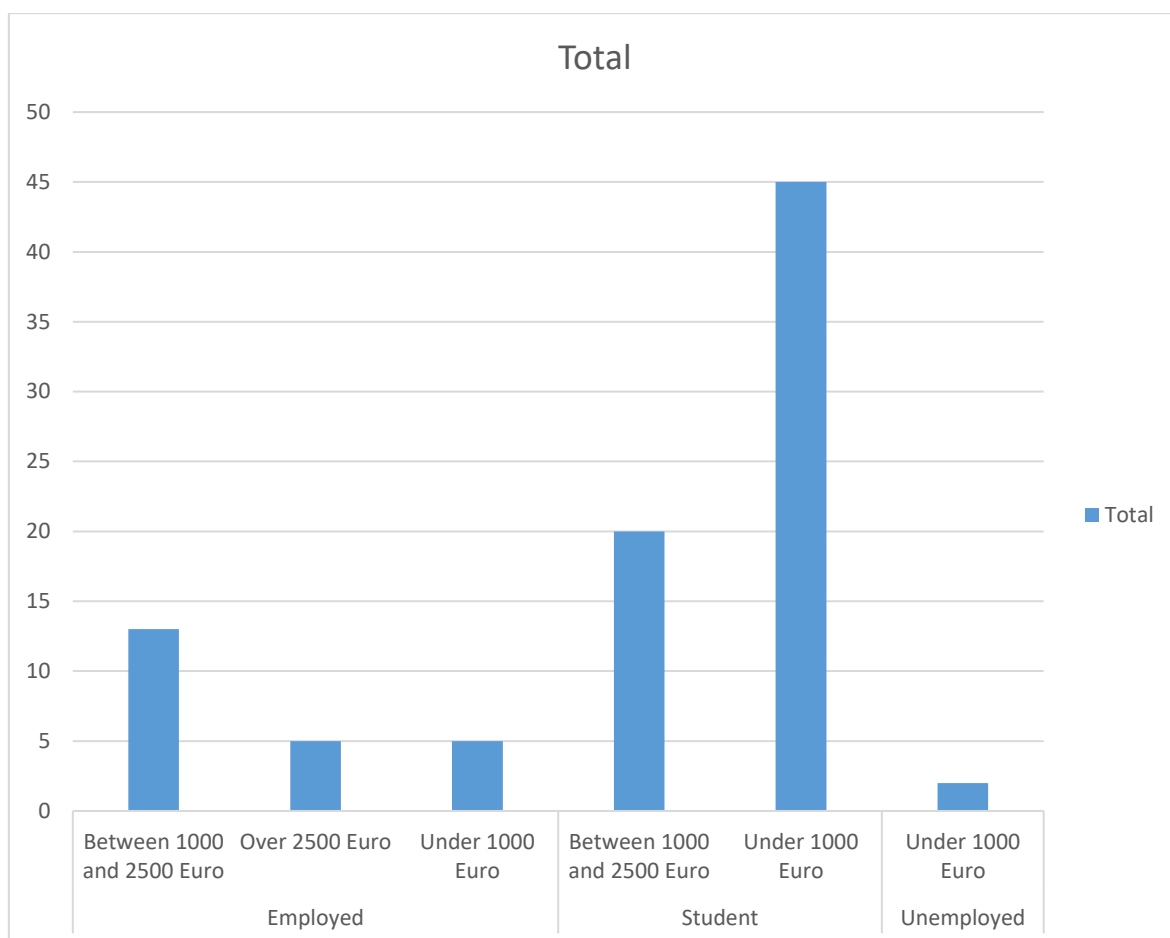


Figure 13 Relation between the monthly earning and the employment status

Figure 13 depicts the relation between the monthly income and employment status of the respondents. According to Figure 13, 65 respondents were students, 45 earning under 1,000 Euro, and 20 earning between 1,000 and 2,500 Euro. Moreover, two of the respondents were unemployed. Furthermore, 23 of the respondents were employed. Most of the respondents i.e. 52 have the earning under 1,000 Euro. The number of respondents earning between 1,000 and 2,500 Euro is 33, 13 were employed, 20 were students. On the other hand, only five employed respondents earn over 2,500 Euro.

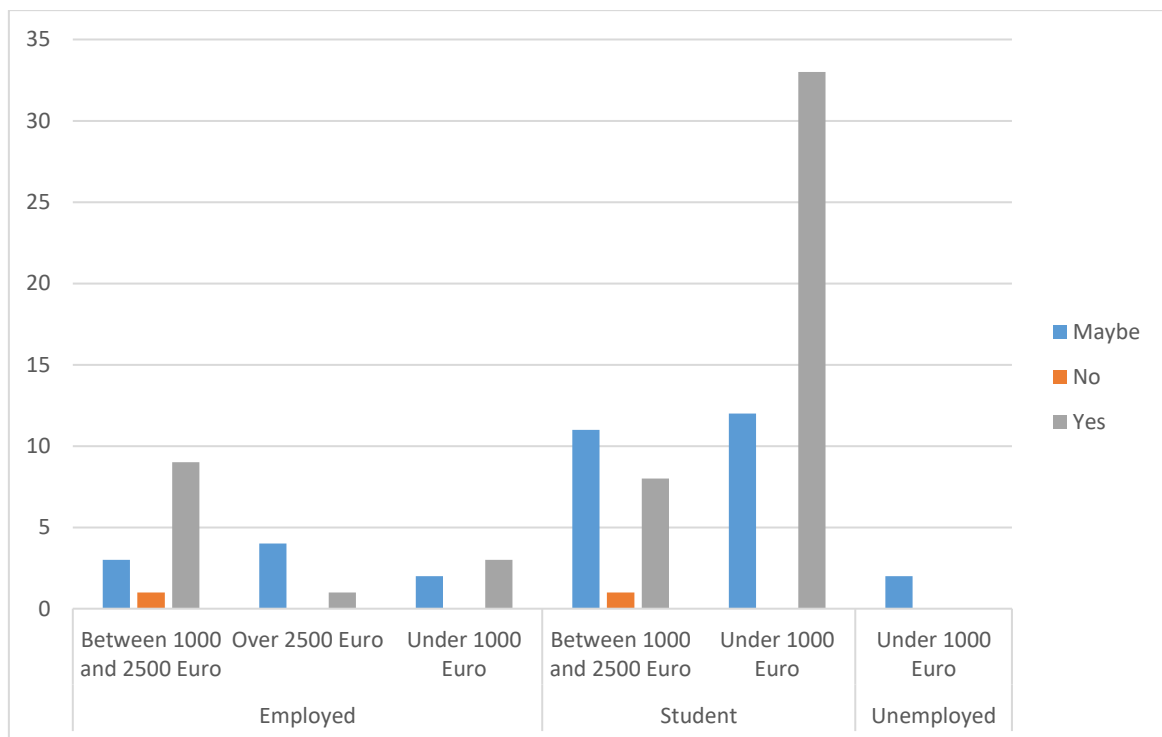


Figure 14 Relation between the potential customer, income, and employment status

The above figure shows the relation between the potential customer, income, and employment status. The bar diagram depicts that there is a negative relation between the income and the likeliness of potential customers to purchase the Rehome product. Among students, the ratio of potential customers to ensure customers is relatively higher at income group under 1,000 than other groups. Moreover, the employed respondents earning under 1,000 Euro were also interested to buy the product. On the other hand, there are two respondents with earning between 1,000 and 2,500 Euro who responded negatively to the buying proposal. Moreover, most of the respondents earning over 2,500 Euro were unsure about the buying proposal. Furthermore, the percentage of unsure customer increases among the student earning between 1,000 and 2,500 Euro compared to the students earning under 1,000 Euro. Therefore, the income group of under 1,000 Euro seems to be a good consumer segment for Rehome.

6.2.3 Psychological Segmentation Analysis

The lifestyle and priorities of respondents who were likely to make the purchase are analyzed to create a detailed picture of the potential customers of Rehome. The customers are segmented based on the lifestyle and priorities of the customer. There are three major questions relating to the psychological segmentation of the customers.

Questions 5 and 6 were related to the lifestyle of the respondents. The 6th question in the questionnaire was “Do you Live in an urban, suburban, or rural area?”. It asked the respondents if they live in suburban, urban, or rural areas. The 5th question i.e. “Do you live permanently where you live now, or do you move a lot?” asked respondents if they move a lot or not. The data from these questions were compared with data of the potential customer to create the portfolio of suitable customer segments.

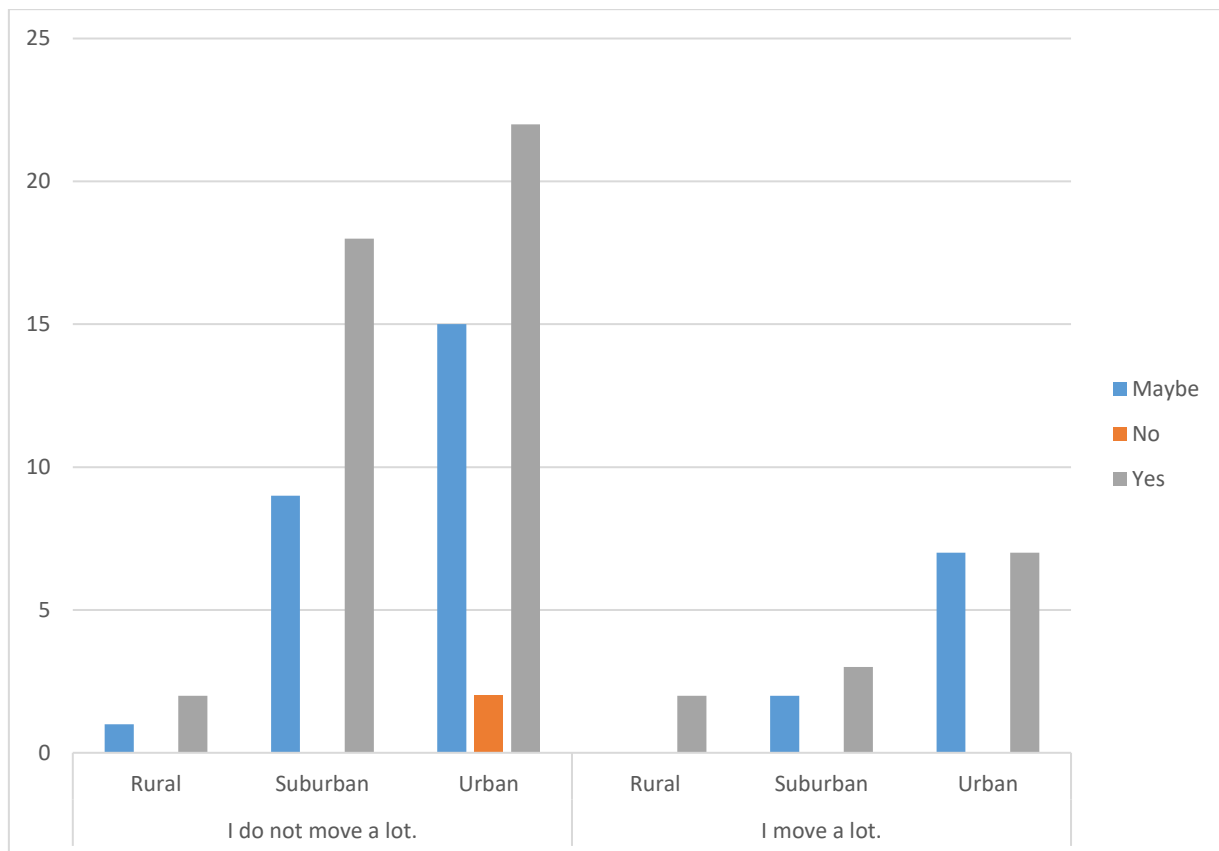


Figure 15 Relation between the lifestyle and potential customer

The above bar diagram represents the relation between the potential customers, lifestyle, and location. The diagram depicts that the likeliness of customers to buy the product is higher in rural areas and suburban than in urban areas. Moreover, the two negative responses for buying proposals from respondents living in an urban area should also be taken into consideration. Furthermore, it also shows the respondents are more likely to choose to buy the product if they do not move a lot. However, if we do not consider the respondents from urban areas into account then respondents who move a lot are more likely to buy the product. Therefore, the people who move a lot within the suburban and rural areas can be ideal customers for Rehome products.

Question 10 i.e. “How Important are different factors when making a purchasing decision for furniture?” was related to the priorities and concerns of respondents relating to price,

durability, environment friendly, quality, friend's recommendation, brand, fashionable, etc. Among these factors price, durability, and environment friendly were only taken into consideration while data analysis.

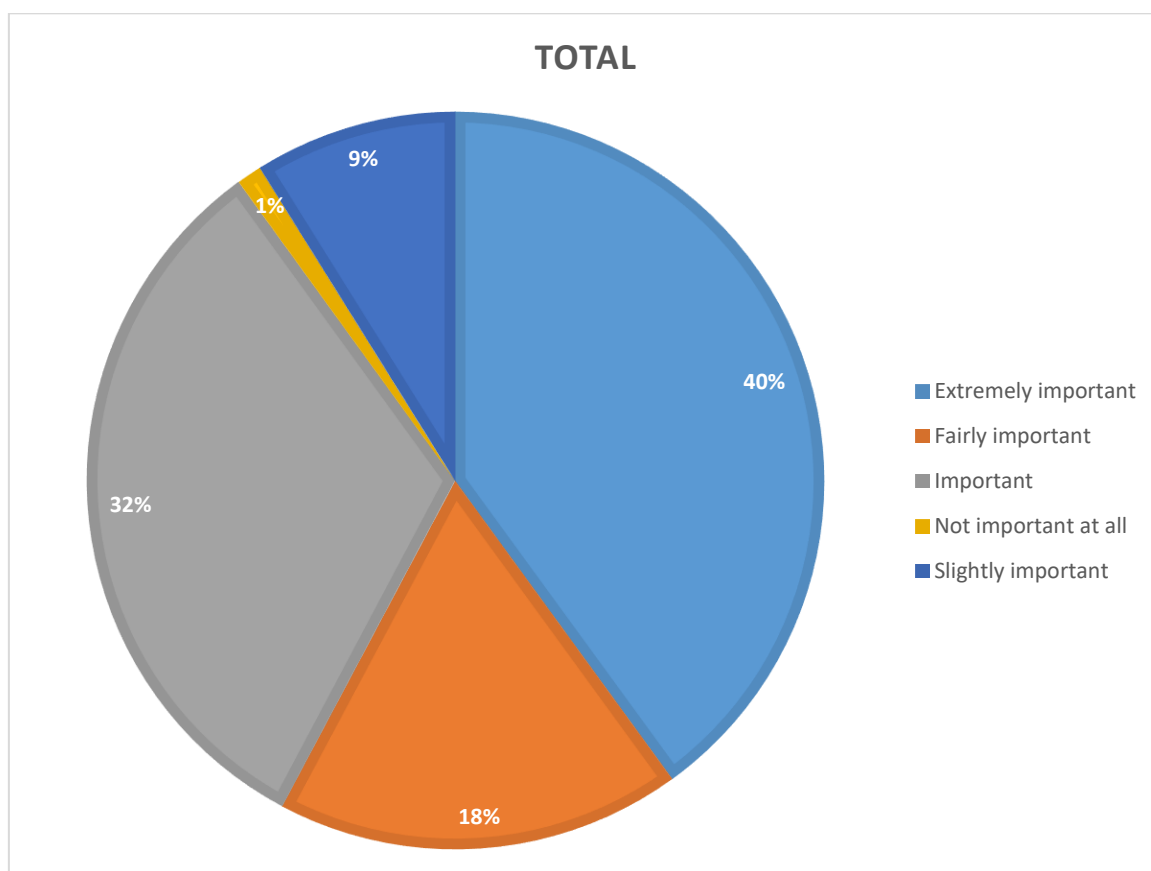


Figure 16 Importance of price among the respondents

Price is one of the important factors when analyzing the priorities of the customer while purchasing the furniture. Figure 16 depicts the importance of the price of furniture among the respondents while making a purchasing decision. From the respondents of the survey 36 (40%) regarded price as extremely important, 16 (18%) as fairly important, 29 (32%) as important, eight (9%) as slightly important, and one (1%) as not important at all. The variable price was compared with the variable if the respondent purchases the Rehome products using cross-tabulation. The data depicts that those respondents who have a high degree of concern towards price were more likely to make the purchase.

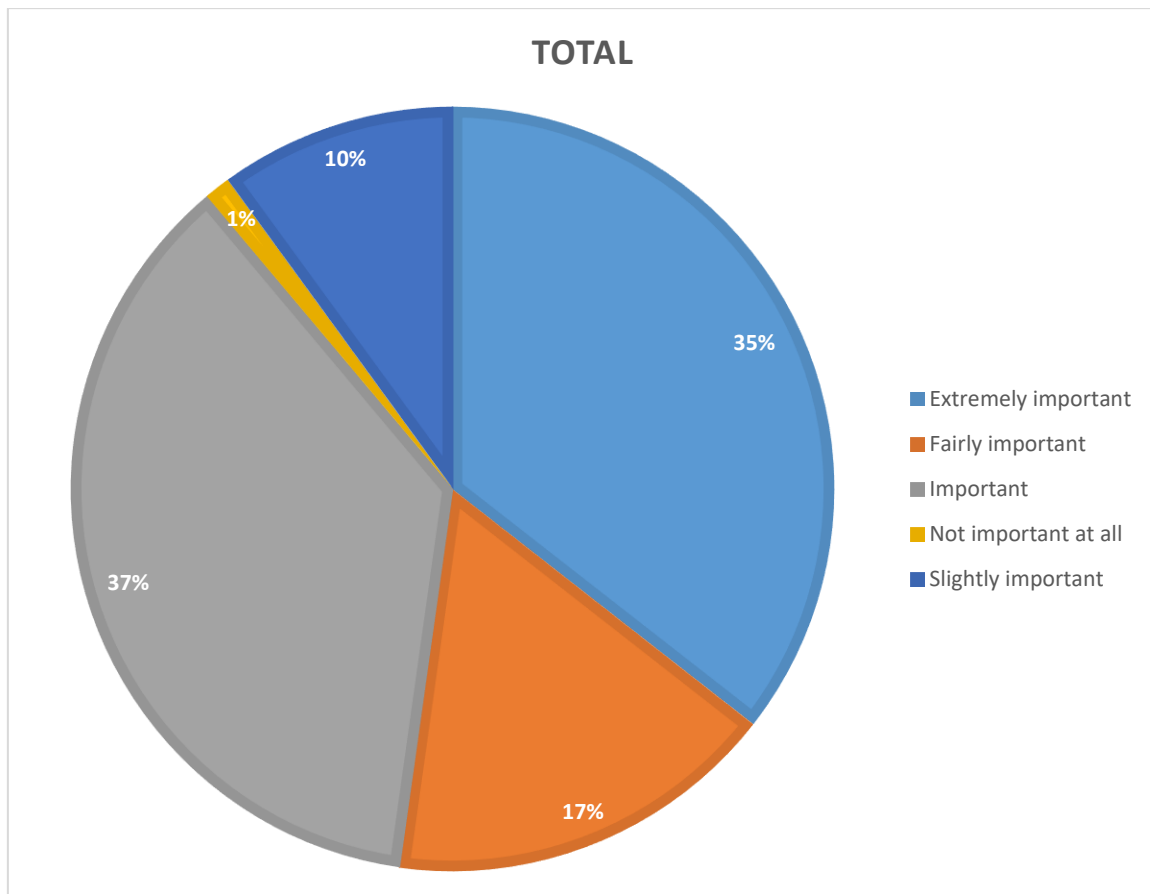


Figure 17 Importance of durability among the respondents

The durability of the product was also an important factor when analyzing the priorities of the customer while purchasing the furniture. The above figure represents the importance of the durability of furniture among the respondents while making the purchasing decision. From the respondents of the survey 32 (35%) regarded durability as extremely important, 15 (17%) as fairly important, 33 (37%) as important, nine (10%) as slightly important, and one (1%) as not important at all. Most respondents shifted from extremely important to middle quartile of importance scale comparing to the price. The variable durability was compared with the variable if the respondent purchases the Rehome products using cross-tabulation. The data depicts that those respondents who valued durability as extremely important are less likely or unlikely to purchase the product. However, those respondents who are less concerned about durability are more likely to buy the product.

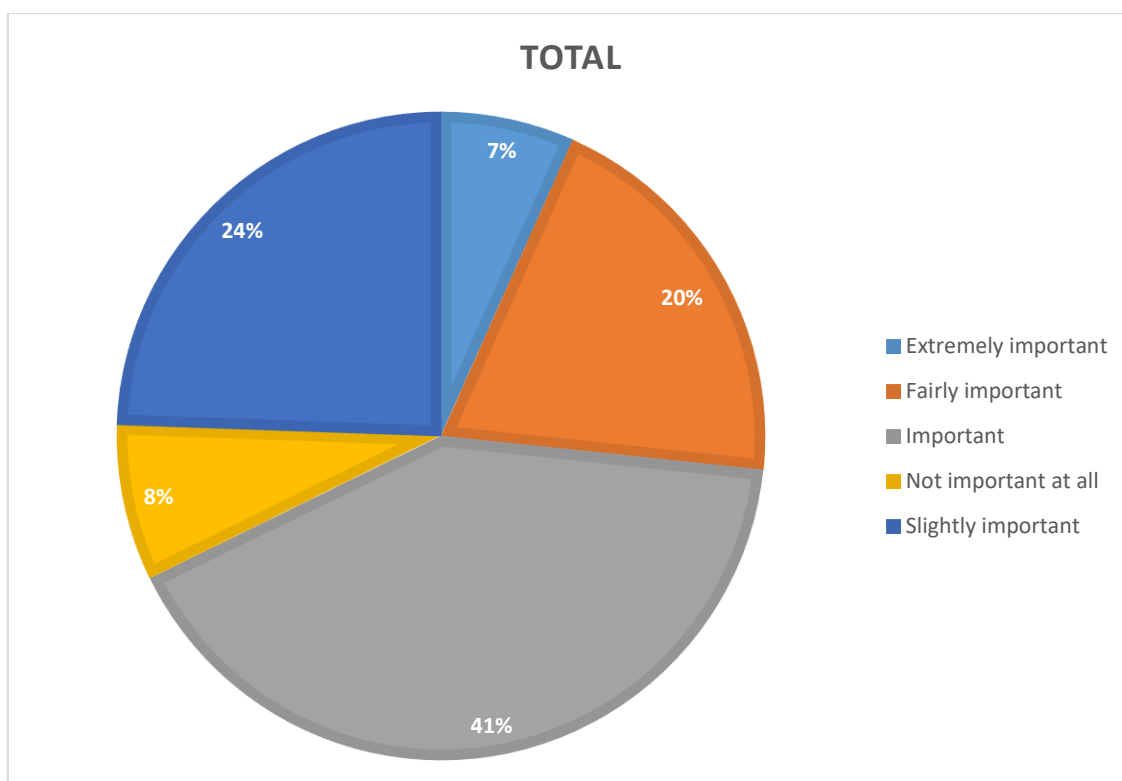


Figure 18 Importance of environment-friendly product among the respondents

As Rehome products are environment-friendly, environmental concern is one of the important factors when examining the purchasing behavior of Rehome products. The above figure represents the importance of environmental- friendly furniture products among the respondents while making the purchasing decision. From the respondents of the survey six (7%) regarded environmentally friendly product as extremely important, 18 (20%) as fairly important, 37 (41%) as important, 22 (24%) as slightly important and seven (7%) as not important at all. The variable environmental concern was compared with the variable if the respondent purchases the Rehome products using cross-tabulation. The data shows that the respondents who value environmentally friendly products are more likely to buy the Rehome product.

6.2.4 Behavioral Segmentation Analysis

The attitude of respondents and the use of the product by the respondents are analyzed to create a detailed three-dimensional picture of the potential customers of Rehome. There were three major questions regarding the analysis of the behavior of the potential customer. The results based on the behavioral characteristics are displayed according to the response of the respondents. The data from the questions were compared with demographic data of the potential customer to create the portfolio of suitable customer segments.

Question 13 was “What is your first reaction to the product?”. The question helped to find the interest of the respondents towards the product. The positive reaction represented that they were more likely to make the change with the Rehome project.

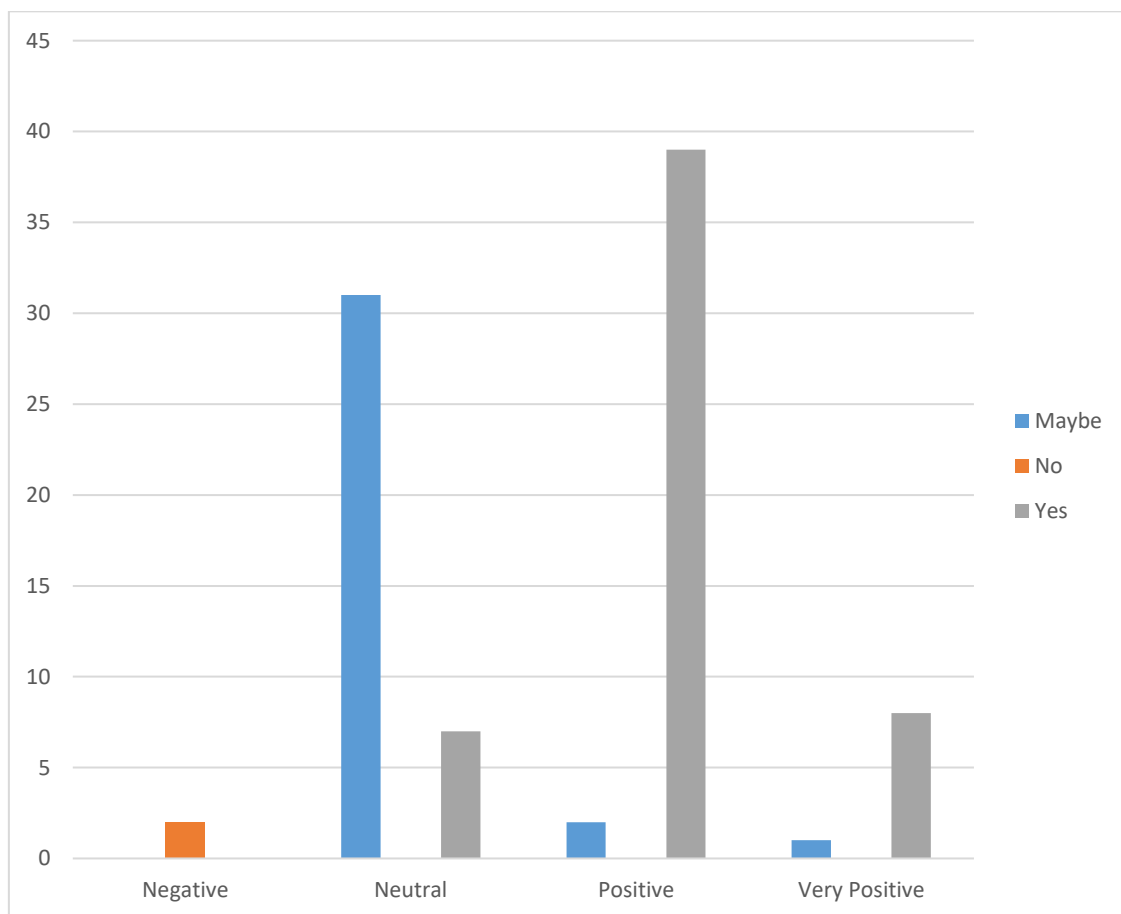


Figure 19 Relation between the potential customer and response to the product

The above bar diagram depicts the relation between reaction the respondents toward the Rehome product and their likeliness to make a purchase. From the data, we can observe that among the nine respondents who were very positive about the product eight of them were sure to buy the product is available in the market. Moreover, among 41 respondents who were positive about the product 39 of them were sure to buy the product. Furthermore, only seven neutral respondents among 38 were sure to buy the product. On the other hand, those respondents who negatively responded to the product were not willing to make the purchase.

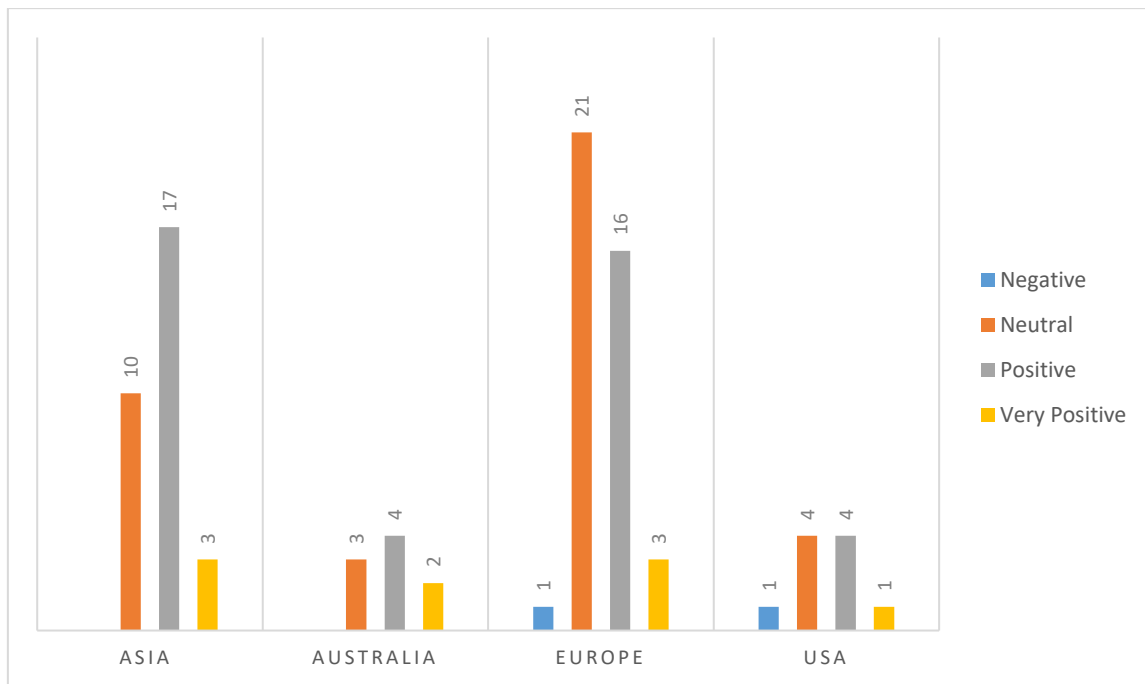


Figure 20 Relation between the region, and response to the product

Figure 20 depicts the relation between the region and the response to the product. According to the figure, 50 responses from the respondents had a positive attitude towards the product. There were only two negative responses for the products from respondents, each from the USA and Australia. The percentage of positive reaction of the respondent is around 66% among Asian respondents which is relatively higher than any other region. Therefore, Asia seems to be an attractive market than other regions.

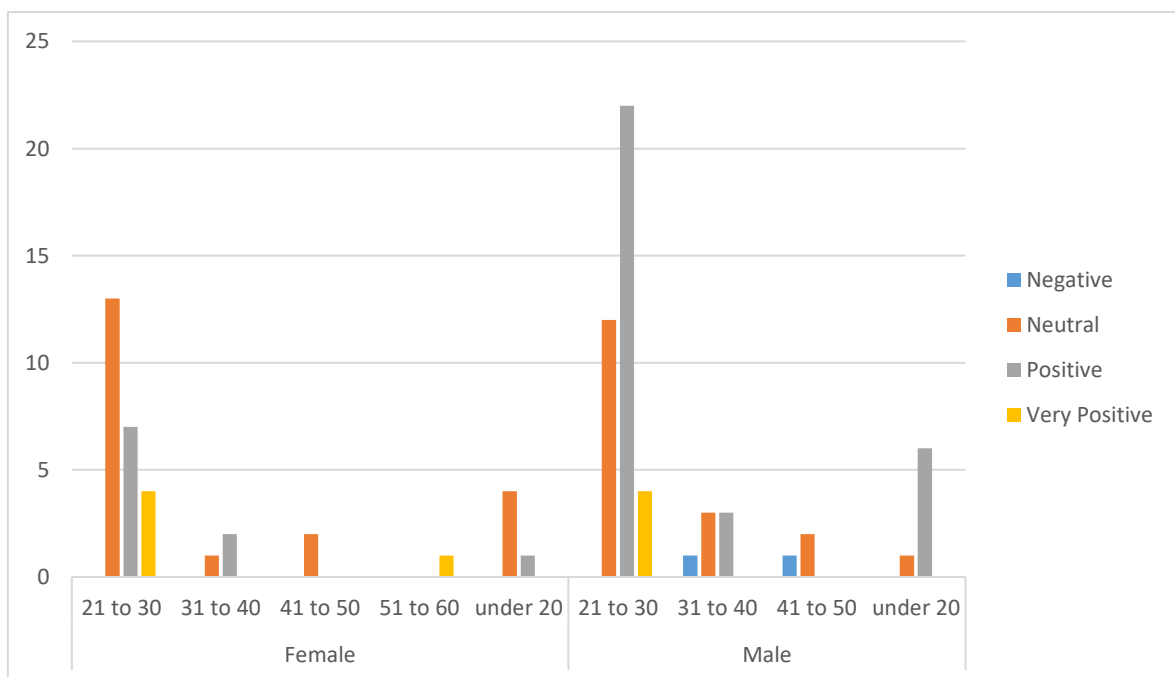


Figure 21 Relation between age, gender, and response to the product

The above figure represents the relation between age, gender, and response to the product. Around 55% of the respondents reacted positively towards the Rehome product. It represents potential buyers in the future. The percentage of positive reaction is around 60% among the age group under 20 and 21 to 30 which is the highest percentage. The respondents from the age group 21 to 30 and 41 to 50 reacted negatively toward the product. Most of the respondents from the age group 41 to 50 were neutral towards the product. The age group 41 to 50 does not seem to be a viable option for Rehome.

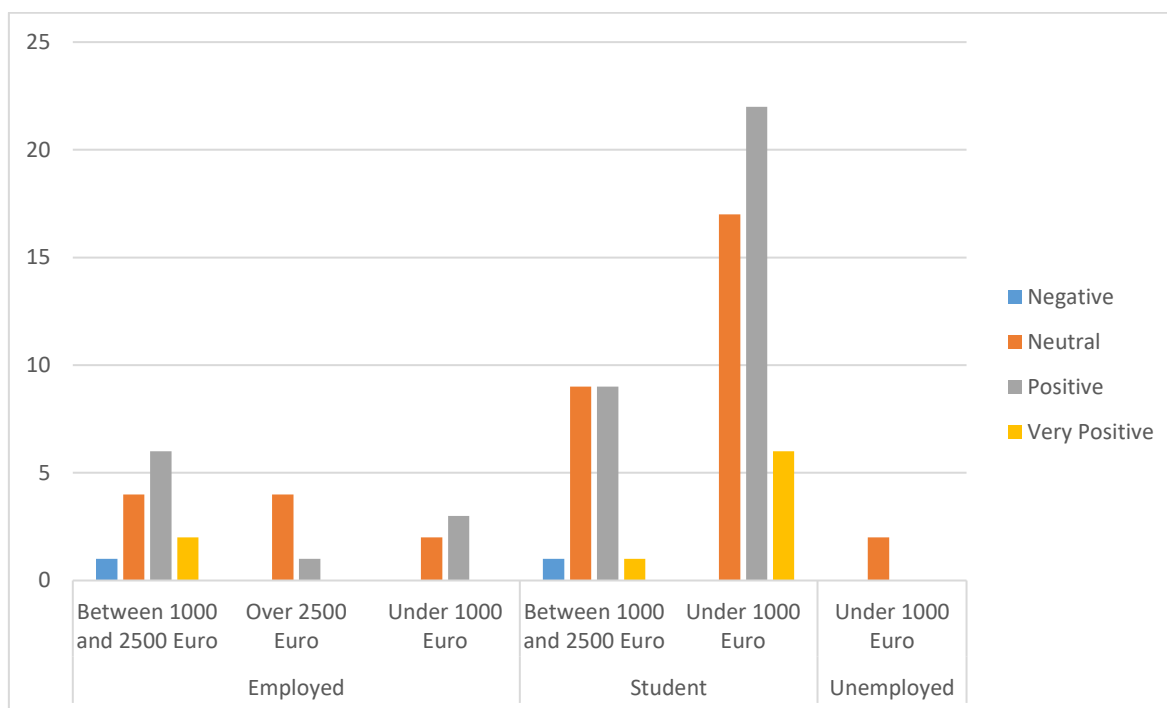


Figure 22 Relation between monthly income, employment status and response to the product

Figure 22 depicts the relation between the monthly income, employment, and response to the product. The respondents who negatively reacted to the product were only the respondents with income between 1,000 and 2,500 Euro. The likeliness of respondents earning under 60% to buy the product earning is 60% which is the highest among another group. The likeliness of respondents earning over 2,500 Euro is 20% which is the lowest among the other group. The above bar graph shows the negative relation between the income and the likeliness to buy the Rehome product. However, the bar diagram shows that the employed respondents earning between 1,000 to 2,500 and student earning under 1,000 have similar likeliness to buy i.e. 62%.

There were two Open-end questions in the survey to know how the respondents derive benefit from the product. Questions 12 and 17 i.e. "What was the reason behind the choice of the product?" and "What do you like or dislike about the product?" helped to

know the reason behind the choice of the product and what they like or dislike about the product. The answer from the respondents helped to find the reason behind the choice of the product and its functionality. Moreover, it also helps to know the benefit derived by the customer from the use of the product.

The responses were many unclear and vague responses making it quite hard to analyze. Most of the responses pointed out that the shelf and single bed met their basic need as they were single. Moreover, the respondents who were more likely to buy the product pointed out that the Rehome product was affordable, convenient, flexible, environment-friendly, easy to recycle, and comfortable. Moreover, they also pointed out that products like bunk beds, dining sets, and space dividers can save space. Furthermore, the respondents also realized that it would be very easy for disabled persons to move the furniture easily in the room.

The respondents who were unsure and unwilling to make a purchase were concerned about the material and durability of the product. Moreover, the respondents were also concerned about the weight capacity of the product. Furthermore, some respondents pointed out that the design of the products was simple, and they were not visually pleasing. Also, the respondents who dislike the product were unsatisfied with the style and choice of color for the product.

6.3 Distribution channels

Question number 15 i.e. "Where would you buy the product?" was an only multiple-choice question in the questionnaire regarding the distribution channel. The respondents were asked to choose among various distribution channel i.e. Online, furniture store, Convenient Store, Hypermarket, DIY shop, etc. The data related to the distribution channel and regions are analyzed to find a suitable distribution channel for the potential customer of Rehome.

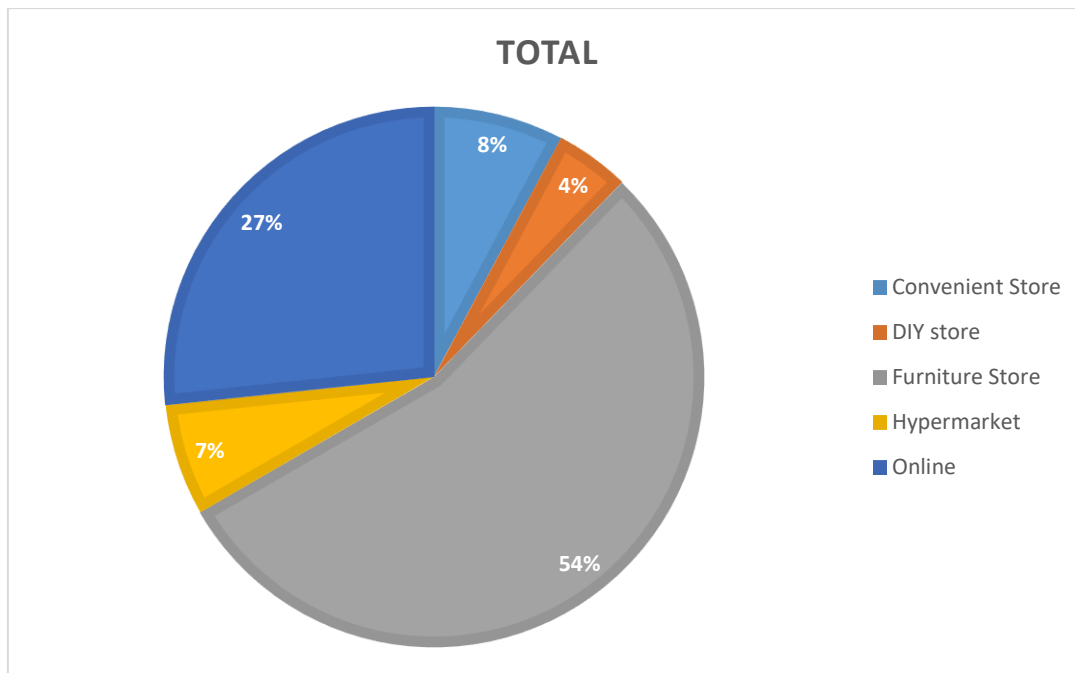


Figure 23 Percentage of respondents choosing various distribution channels

The pie chart represents the percentage of respondents choosing various distribution channels. From the respondents of the survey 49 (54%) choose the Furniture store, 24 (27%) Choose Online Store, seven (8%) choose Convenient Store, six (7%) choose Hypermarket, and four (4%) choose a DIY store. The data depicts that furniture stores and online stores can be a good option for distribution channels of Rehome projects.

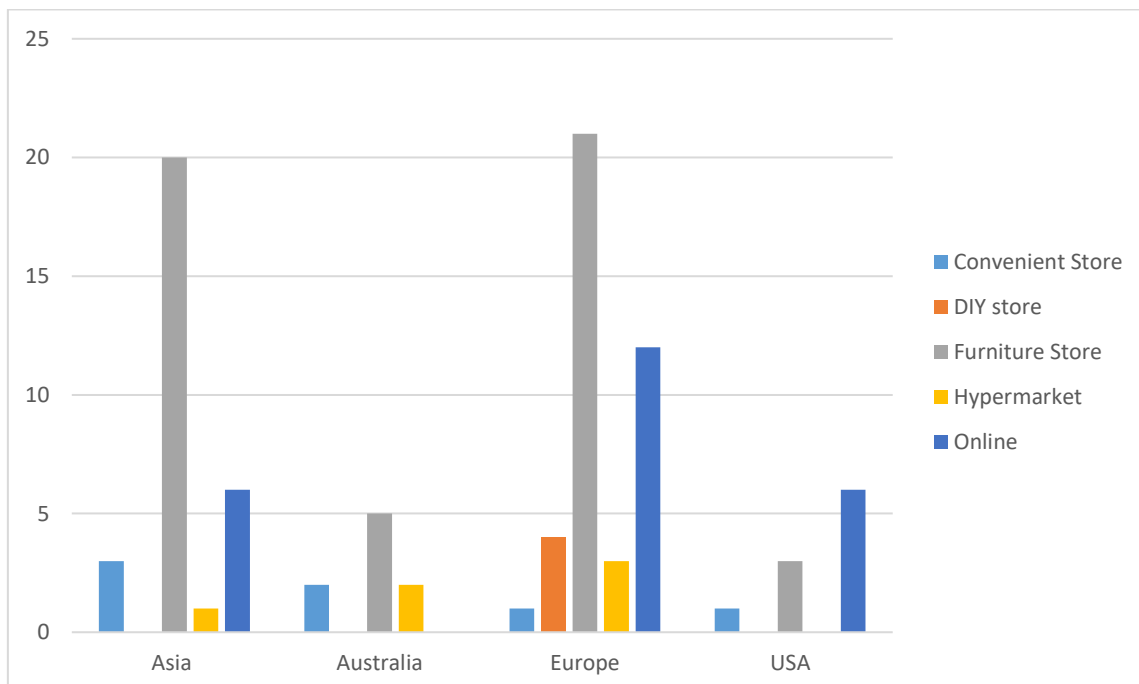


Figure 24 Relation between region and distribution channels.

The bar diagram represents the relation between the medium of distribution channel and potential market regions. The diagram shows that the Furniture store is popular among people living in Asia, Australia, and Europe. Online distribution channels were not chosen by the respondents living in Australia. However, the online distribution medium is popular among respondents living in the USA. Comparing the respondents from Asia and Europe, the percentage of respondents choosing furniture stores is higher among Asian respondents than European respondents. On the contrary, the percentage of respondents using an online distribution channel is higher among the European respondents. Therefore, Online and furniture stores can be an ideal distribution channel for Rehome products.

7 DISCUSSION

7.1 Consumer Segments for Rehome

The first step in finding the consumer segment for Rehome was defining the market. 9 different countries i.e. Vietnam, Nepal, Germany, Finland, Denmark, Australia, Bangladesh, USA, and India were chosen for evaluation. After defining the market, the variables were chosen based on which the survey was created to gather the information. Variables were chosen from all segmentation variables to create a clear picture of the consumer segments. After data analysis various consumer segments were defined. The consumer segments are presented in Table 3.

Table 3 Consumer Segments for Rehome Product

SN	Consumer Segments	Characteristics
1	Consumer Segment A	Living in Asia
2	Consumer Segment B	Male
3	Consumer Segment C	Under 20, 21-30 years old
4	Consumer Segment D	Monthly Earning Under 1000
5	Consumer Segment E	Single, Living alone
6	Consumer Segment F	Living in Suburban and Rural areas
7	Consumer Segment G	Move a lot
8	Consumer Segment H	Concerned about the Price
9	Consumer Segment I	Less concerned about durability
10	Consumer Segment J	Concerned about the environment
11	Consumer Segment L	No children in the family

Therefore, there are 11 consumer segments based on various variables for Rehome to target.

These segments have different needs and hence choose the different products according to their need. For instance, the bunk bed was popular among the male, respondents living in Asia, and respondents with children. Moreover, the dining set and the baby cot was

popular among the female respondents. Furthermore, the respondents with children did not choose a single bed. However, the single bed and shelf were the most popular products of Rehome among the consumers.

7.2 Effectiveness of Consumer Segments

The consumer segments are evaluated based on the criteria for the effectiveness of consumer segments. The consumer segments are easily accessible. The segments can be measured based on size, purchasing power, and characteristics through primary or secondary research. Moreover, segments consist of the Asian market and the young population, so the segments are large enough to generate profit for the company. Furthermore, each consumer segments have different characteristics from other consumer segments. The consumer segments are distinctive based on their different characteristics i.e. Age, location, gender, priorities, lifestyle, number of children, marital status, etc. Although Rehome is a small project with a small budget the market segments can be reached with proper marketing strategies of Rehome. The products of Rehome are unique and different from competitors to these consumer segments. So, this helps to provide a differential advantage to Rehome. (Zimmerman & Blythe 2013, 122-123.) Therefore, the consumer segments for Rehome projects are the result of effective segmentation.

7.3 Target Market Segment

Rehome could gain a strong position in the market firm by using concentrated marketing. Rehome could focus on a large share of a few segments. The suitable consumer segments for Rehome could be Consumer segment C, Consumer segment D and Consumer segment E. These segments focus on young single consumer i.e. under 20 or 21-30 living alone. Moreover, these segments are focused on consumers earning less than 1000. It is suitable for small projects like Rehome because it helps to decrease the management cost and it is highly profitable. Moreover, a small company can make effective decisions regarding price, product, and promotion. Although, there might be a risk of new entry of strong competitors. It is suitable for Rehome as it offers unique products to customers than other furniture companies. Although differentiating marketing increases sales and provides market growth opportunities, it is not a good option for Rehome because it increases the cost and effort of the business. (Armstrong & Kotler 2013, 204-205.)

7.4 Distribution Channel for Rehome

According to the survey, most of the respondents choose the Furniture store as their preferred place to buy the Rehome product. Moreover, people also preferred to buy via the

online store. A hybrid distribution channel would be a good option for Rehome due to the scattered market and consumer (Sakshi 2020). Moreover, the combination direct channel via. Online shop and indirect channel via furniture store would help Rehome to reach to new undiscovered customers. Rehome can also use only indirect distribution channels through a few intermediaries i.e. furniture stores to enter the consumer market. Although direct channel via online store seems a good option, it is not suitable for small business because it requires a large investment (Sakshi 2020). Moreover, it is not practicable for the marketing of many consumer goods (Farooq 2016).

8 CONCLUSION

8.1 Answers to Research Questions

The thesis revolved around two major research questions about consumer segmentation and distribution channel. The topics of segmentation and distribution channels like market segmentation, benefits of segmentation, segmentation process, criteria for effective segmentation, distribution channel, and types of distribution channels were overviewed in the theoretical concept. The survey was created to acquire the data to create customer segments and channels for Rehome. The research questions are answered by considering the theoretical concept and data analysis.

Which consumer segments could interest Rehome?

The geographical, demographical, psychological, and behavioral data of the respondents were used to create a three-dimensional picture of the potential customer for the Rehome product. The consumer segments were created based on the analysis of data from a survey filled by 90 respondents from nine different countries. The potential consumer segments were created based on the qualitative analysis of geographical, demographic, like age, gender, region, number of children, etc. On the other hand, psychological and behavioral data like attitude, priorities, lifestyle, etc. were used to know about potential customers in detail.

According to the finding from the survey, respondents living in Asia were more interested to buy the product than any other region. Moreover, Males were more likely to buy products than females. Furthermore, respondents under 20 and 21- 30 years old were more probable to buy the product. Also, single people living alone with no children were more likely to buy the Rehome product. Similarly, respondents in Suburban and rural areas and move a lot are more likely to buy the product. Also, the respondents who are more likely to buy the product are less concerned about durability and more concerned about price and environment. The consumer segments for Rehome is summarized in Table 3.

What are the suitable channels to reach the consumer segments?

According to the survey, the most popular distribution channel preferred by the respondents was the Furniture store and Online store. Moreover, the Furniture store was more preferred in Asia than in Europe. The online store was more popular in Europe than in other countries. So, Rehome can either use the hybrid distribution channel with a combination of a furniture store and an online store or it can use indirect distribution channels with few intermediaries i.e. furniture.

8.2 Reliability and Validity

Reliability and validity help to show the relevance and trustworthiness of the research. Validity shows a degree of reality in research. Moreover, it also examines if the goals and objectives of the research are achieved. (O'Reilly & Kiyimba 2015.) The main objective of the thesis was to find the consumer segments and distribution channels for Rehome. The objective of the thesis was successfully achieved. As the data was collected via a survey, some data might not be true. Therefore, it might limit the validity of the data.

On the contrary, reliability refers to the clear justification of the collection and analysis of data. (O'Reilly & Kiyimba 2015.) The data collection method, as well as the data analysis method, were explained clearly in the paper. The theoretical concepts that were used in the research were mentioned by trusted authors. Moreover, only relevant information was used in the theoretical background of the thesis. Therefore, the data is reliable.

Although the data collected through the survey might create some limitations for validity and reliability, trustworthy sources of information were used in the thesis. Therefore, the thesis strives to provide reliable and valid data.

8.3 Suggestions for Further Research

The purpose of the thesis was to create the market segments and distribution channel for the Rehome project. The research can be used to create future customer-driven marketing strategies for Rehome projects. It might help Rehome to create value for the target customers. Moreover, the project can use the thesis as the base for market targeting as well as differentiating and positioning. Furthermore, the thesis also helps to understand the priorities of consumers and act upon it. Similarly, it can use the research to make future decisions regarding the allocation of resources. Also, it can make strategic distribution channel decisions based on the research.

Therefore, the research might help with future consumer-driven marketing strategies, distribution channel strategies. Moreover, it can help Rehome understand consumer preferences and priorities in the B-to-C market.

9 SUMMARY

To sum up, the main objective of the thesis was to create the market segments and distribution channel for Rehome. Taking the research question and data analysis into consideration the main aim of the thesis was to get knowledge about how to create customer segments for the companies.

The theoretical part of the thesis consists of concepts related to market segmentation, market segmentation process, benefits of segmentation, criteria for effective segmentation, distribution channels, and types of the distribution market.

The research was aimed to collect the data from the respondents. The data was analyzed based on the theoretical concept to find various consumer and suitable distribution channels segments for Rehome products to deliver the value to end-users.

Finally, the research questions were answered in the conclusion. Moreover, the validity and reliability of the thesis result were also tested. Furthermore, the suggestion for further research was also presented at the end.

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APPENDICES

Appendix 1: Questionnaire

1. What is your age?

- ☐ Under 20
- ☐ 21 to 30
- ☐ 31 to 40
- ☐ 41 to 50
- ☐ 51 to 60
- ☐ Over 60

2. What is your gender?

- ☐ Male
- ☐ Female
- ☐ Others

3. Which of the following best describes your current relationship status?

- ☐ Married
- ☐ Single
- ☐ Divorced
- ☐ Widowed

4. In which country, do you currently reside?

- ☐ Finland
- ☐ Nepal
- ☐ Vietnam
- ☐ India
- ☐ Bangladesh

- ☐ Germany
 - ☐ Australia
 - ☐ USA
 - ☐ Denmark
5. Do you live permanently where you live now, or do you move a lot?
- ☐ I move a lot
 - ☐ I do not move a lot
6. Do you Live in an urban, suburban, or rural area?
- ☐ Urban
 - ☐ Suburban
 - ☐ Rural
7. How many children or grandchildren do you live with?
- ☐ 0
 - ☐ 1
 - ☐ 2
 - ☐ More than 3
8. What do you do?
- ☐ Student
 - ☐ Employed
 - ☐ Unemployed
 - ☐ Retiree
9. What is your Monthly Salary?
- ☐ Under 1000 Euro
 - ☐ Between 1000 and 2500 Euro

☐ Over 2500 Euro

10. How Important are these different factors when making a purchasing decision for furniture?

	Not Im- portant	Slightly Important	Important	Fairly Im- portant	Extremely Important
Price					
Brand					
Quality					
Durability					
Fashionable					
Environment Friendly					
Easy to Recycle					
Friends Recom- mendation					

11. Which of the following products suit your need?

- ☐ Single Bed
- ☐ Bunk Bed
- ☐ Shelf
- ☐ Space Dividers
- ☐ Baby Cot
- ☐ Dining Set

12. What was the reason behind the choice of the above product?

.....

13. What was the first reaction to the product?

- ☐ Very Positive
- ☐ Positive
- ☐ Neutral
- ☐ Negative
- ☐ Very Negative

14. If the products were available today, would you buy the product?

- ☐ Yes
- ☐ Maybe
- ☐ No

15. Where would you prefer to buy this product?

- ☐ Online
- ☐ Hypermarket
- ☐ Convenient Store
- ☐ DIY store
- ☐ Furniture Store

16. How likely is it that you would recommend this product to a friend or colleague?
(0 = Not Likely at all, 10= Extremely Likely)

0	1	2	3	4	5	6	7	8	9	10

17. What do you like or dislike about the products?

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